

# A MESSAGE FROM THE COMMISSIONER

I am pleased to present the Social Security Administration's Performance and Accountability Report for Fiscal Year (FY) 2007 (PAR). This report is my first as Commissioner. It is clear that Social Security is undergoing a profound and dynamic change in its workloads. Fiscal year 2007 was a year of extraordinary transformation. Social Security is now deeply involved and has committed substantial resources to important elements of the Medicare program, particularly Part D, as well as aspects of the Nation's immigration policies and various SSN verification programs. Social Security has undertaken all of these new duties in addition to its traditional role of administering the Old Age, Disability and Supplemental Security Income programs under the Social Security Act, thereby straining our ability to achieve desired results in some key areas.



Committed to improving our performance in traditional programs and newer non-core workloads, I plan to issue a new Strategic Plan for the Agency to ensure that we continue to deliver outstanding service to the Nation. In addition, we are currently developing a comprehensive plan of fundamental business process reform. These changes are essential if Social Security is to continue as an organization that meets the needs of all of our citizens. However, the Agency cannot independently accomplish such dramatic reforms. We look forward to working within the Administration and the Congress to secure the necessary support for these innovative initiatives in order to change how Social Security provides service to the American public.

This PAR demonstrates how Social Security managed its finances and how we administered our programs -- both new and traditional -- during the past year. Some of our FY 2007 accomplishments include meeting our performance goal for processing periodic continuing disability reviews, receiving an unqualified opinion on our financial statements for the 14<sup>th</sup> consecutive year, and having our auditors report no material instances of noncompliance with laws and regulations. In reviewing the report, please take note of the many challenges we faced this year and which will continue to influence our performance in the coming years, including the following: the aging of the population resulting in a wave of claims for retirement and disability benefits at the same time as Social Security's employees are retiring from federal service; the growing number of workloads assigned to the Agency such as Medicare Part D; and the growing backlog of disability cases awaiting decision (nearly 750,000 hearings as of the end of FY 2007).

Social Security continues to provide service to individuals at critical junctures in their lives, be it the onset of a disability, the loss of a spouse or parent, the inability to meet basic needs as a senior citizen, or retirement from the workforce. I have seen first-hand the important work this Agency does and the essential protection it provides to the most vulnerable in our society. In particular, I consider it a moral imperative that we eliminate the disability hearings backlog and ensure that we provide our many services timely, effectively and efficiently to each and every one of our customers.

I am proud to report that our FY 2007 financial and performance data in the report is reliable and complete based on Office of Management and Budget guidance and that there are no material internal control weaknesses. I encourage you to review in greater detail the message from our Chief Financial Officer as well as the PAR itself.

A handwritten signature in black ink, appearing to read "M. Astrue". The signature is fluid and cursive.

Michael J. Astrue  
November 7, 2007

# TABLE OF CONTENTS

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<b>1</b>	<b>A MESSAGE FROM THE COMMISSIONER</b>
<b>5</b>	<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>
<b>7</b>	<b>OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION</b>
7	Mission
7	The Social Security Programs and How They Benefit the Public
10	Agency Organization
<b>13</b>	<b>OVERVIEW OF KEY PERFORMANCE INDICATORS, GOALS AND RESULTS</b>
13	FY 2007 Overview of Performance
16	Data Quality
<b>19</b>	<b>AGENCY CHALLENGES</b>
19	Major Management Challenges
32	The President’s Management Agenda
33	Program Assessment Rating Tool
<b>34</b>	<b>HIGHLIGHTS OF FINANCIAL POSITION</b>
34	Overview of Financial Data
36	OASI and DI Trust Fund Solvency
37	Limitation on Financial Statements
<b>38</b>	<b>SYSTEMS AND CONTROLS</b>
38	Management Assurances
40	Financial Statement Audit
40	Federal Information Security Management Act
41	Financial Management
<b>43</b>	<b>PERFORMANCE SECTION</b>
<b>44</b>	<b>EXECUTIVE SUMMARY OF AGENCY PERFORMANCE</b>
44	Introduction
44	Agency Progress and Initiatives
47	Conclusion
<b>48</b>	<b>AGENCY PERFORMANCE</b>
48	Summary of FY 2007 Performance
48	Status of FY 2007 Performance Measures by Goal and Objective
53	Individual Performance Measure Results
92	Program Evaluation

<b>101</b>	<b>FINANCIAL SECTION</b>
<b>102</b>	<b>A MESSAGE FROM THE CHIEF FINANCIAL OFFICER</b>
<b>103</b>	<b>FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION</b>
104	Consolidated Balance Sheets
105	Consolidated Statements of Net Cost
106	Consolidated Statements of Changes in Net Position
107	Combined Statements of Budgetary Resources
108	Statement of Social Insurance
109	Notes to the Basic Financial Statements
136	Other Accompanying Information: Balance Sheet by Major Program
137	Other Accompanying Information: Schedule of Net Cost
138	Other Accompanying Information: Schedule of Changes in Net Position
140	Required Supplementary Information: Schedule of Budgetary Resources
141	Required Supplementary Information: Social Insurance
<b>157</b>	<b>AUDITOR'S REPORTS</b>
<b>164</b>	<b>INSPECTOR GENERAL STATEMENT ON SSA'S MAJOR MANAGEMENT CHALLENGES</b>
<b>178</b>	<b>OTHER REPORTING REQUIREMENTS</b>
178	Summary of Financial Statement Audit and Management Assurances
179	Anti-Fraud Activities
182	Biennial Review of User Fee Charges
183	Debt Management
<b>186</b>	<b>IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT</b>
<b>203</b>	<b>APPENDIX</b>
<b>204</b>	<b>GLOSSARY OF ACRONYMS</b>
<b>209</b>	<b>SSA MANAGEMENT AND BOARD MEMBERS</b>

**SSA's FY 2007 PERFORMANCE AND ACCOUNTABILITY REPORT IS AVAILABLE ON THE INTERNET AT:  
[www.socialsecurity.gov/finance](http://www.socialsecurity.gov/finance)**





**MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS**



The *Management's Discussion and Analysis* (MD&A) is Required Supplementary Information to the financial statements and is designed to provide a high level overview of the Social Security Administration (SSA). It provides a description of who the Agency is, what the Agency does, and how well the Agency meets the goals that have been set.

The *Overview of the Social Security Administration* section highlights SSA's mission as set forth in the *Agency's Strategic Plan*. This section also discusses the major programs the Agency administers: the Old Age and Survivors Insurance and the Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program, and provides a discussion of the Agency's organization.

Next, the *Overview of Key Performance Indicators, Goals and Results* section provides the Agency's progress in the context of the *Government Performance and Results Act of 1993* (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During Fiscal Year (FY) 2007, SSA used 38 distinct GPRA performance measures to manage and track Agency progress. The performance measures focus on SSA's most critical challenges and areas in need of improvement. Of the 38 performance measures, 16 were selected as Key Performance Indicators (KPI), which the Agency believes best tell the story of its efforts to address the most critical challenges. These KPIs are discussed in general terms and indicate whether the performance targets for FY 2007 were met. All of the FY 2007 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the *Performance Section*.

The *Overview of Key Performance Indicators, Goals and Results* section of the MD&A also speaks to SSA's Data Quality. This section provides a discussion of the actions SSA has taken to address the Agency's management control responsibilities. A summary of the results from the Office of Inspector General's audits of several GPRA performance measures is provided.

The *Performance and Accountability Report* would not be complete without providing a summary of the issues the Agency faces now and will face over the next five years, as well as the current and future activities and strategies in place to deal with them. These challenges, found in the *Agency Challenges* section, are based on the Major Management Challenges currently designated by the Government Accountability Office and SSA's Office of the Inspector General. Also addressed in the *Agency Challenges* section are the Agency's scores on the President's Management Agenda initiatives and the Agency's program ratings from the Program Assessment Rating Tool.

In addition to discussing program performance, the MD&A also addresses the Agency's financial performance. The major sources and uses of SSA's funds, as well as the use of these resources in terms of both program and function, are explained.

Finally, the *Systems and Controls* section of the MD&A provides a discussion of the actions SSA has taken to address the Agency's management control responsibilities. The Management Assurances within this section provides the Agency's assurances related to the *Federal Managers' Financial Integrity Act* and the determination of the Agency's compliance with the *Federal Financial Management Improvement Act*. Also addressed are the results of the audit of SSA's financial statements and compliance with the *Federal Information Security Management Act*.

# OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

## MISSION

To advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

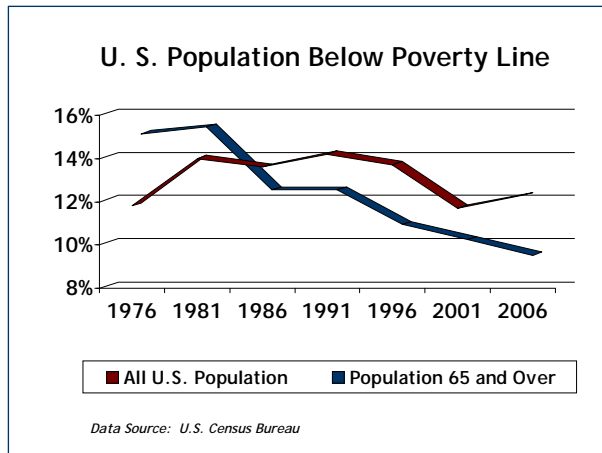
## THE SOCIAL SECURITY PROGRAMS AND HOW THEY BENEFIT THE PUBLIC

Few Government agencies touch the lives of as many people as the Social Security Administration (SSA). SSA administers one of the Nation's largest entitlement programs, the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as Social Security. Monthly cash benefits are financed through payroll taxes paid by workers through their employers and by self-employed workers. Monthly benefit payments under the OASDI programs are based on an individual's taxable earnings during his or her lifetime.

SSA also administers the Supplemental Security Income (SSI) program which is designed to provide or supplement the income of aged, blind, or disabled adults and children with limited income and resources. SSI payments are financed by general tax revenues.

Over 54 million people, one sixth of the total population, receive monthly Social Security or SSI benefit payments. Through their tax revenues, 163 million workers are earning valuable Social Security coverage for themselves and their families. The following table, *Number of Beneficiaries as of September 30<sup>th</sup> of Each Year*, indicates the number of people receiving OASDI, SSI and/or the combined benefits. During the last ten years, the number of Old-Age and Survivors Insurance (OASI) beneficiaries has grown by eight percent, Disability Insurance (DI) by 40 percent, and SSI (includes persons receiving only SSI benefits and those who receive combined SSI and OASDI benefits) by 11 percent.

Number of Beneficiaries as of September 30th of Each Year (in Millions)										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OASI only	37.9	38.0	38.7	38.9	39.2	39.4	39.6	40.0	40.4	40.9
DI only	6.3	6.5	6.6	6.8	7.1	7.5	7.8	8.2	8.5	8.8
SSI only	4.2	4.2	4.2	4.3	4.4	4.4	4.6	4.6	4.7	4.8
Total of beneficiaries receiving OASI, DI or SSI only	48.4	48.7	49.5	50.0	50.7	51.3	52.0	52.8	53.6	54.5
SSI and OASDI	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.6



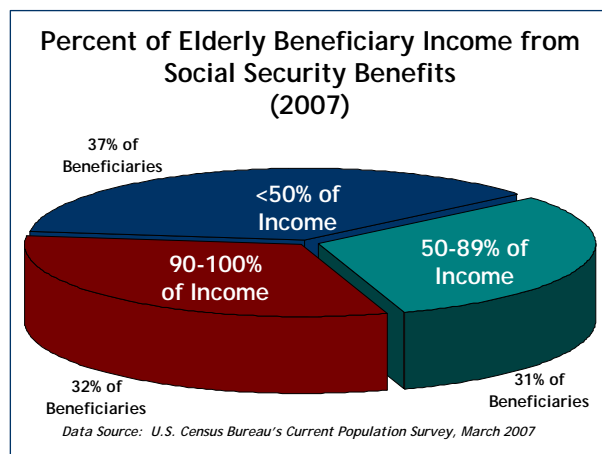
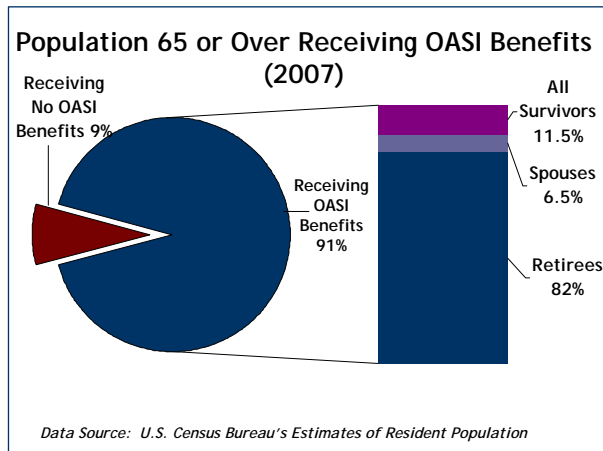
Social Security and SSI benefits play a significant role in the improved economic security of the Nation's people. In 1936, when Social Security Numbers were first assigned to workers, most of the Nation's elderly were living in poverty. Over the past 30 years, poverty among the elderly has been reduced by 37 percent, decreasing from 15 percent in 1976 to 9.4 percent in 2006 and is expected to continue to decline in future years. As shown in the chart, *U.S. Population Below Poverty Line*, the percentage of the population age 65 and over in the United States who lives below the Federal poverty level has been consistently lower than that of the general population since the 1980s. In 2006, the total population of the elderly was 12.3 percent compared to 9.4 percent of the elderly below the poverty line.

The poverty level gives an indication of how Social Security and SSI benefits are improving the quality of life of the elderly; millions more are protected in the event of disability or death. In addition to food stamps, Medicaid, low income housing and other social services, SSI recipients with little or no income may receive an SSI Federal benefit up to 73.2 percent of the Federal poverty level for an individual and 81.9 percent for a couple. Additionally, the portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplemental payments.

### OLD-AGE AND SURVIVORS INSURANCE (OASI) BENEFITS

Working Americans can count on benefits when they retire if they have qualified by working and paying Social Security taxes for at least ten years over the course of their lifetime. Benefits are also paid to certain members of retired workers' families and their survivors.

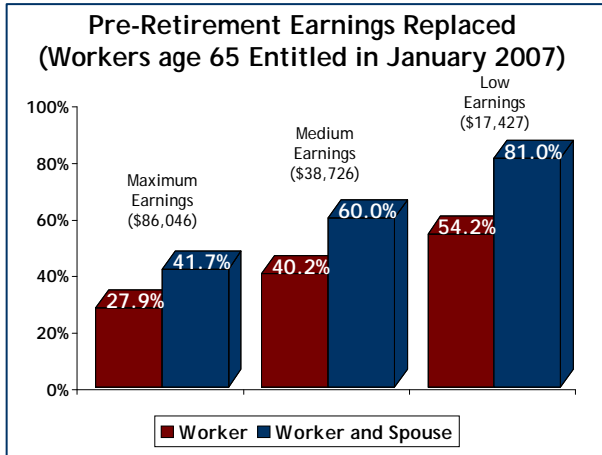
The chart, *Population 65 or Over Receiving OASI Benefits*, shows as of 2007, 91 percent of the total population that is 65 years of age or over receives OASI benefits and nine percent of the total population do not receive OASI benefits. Of the 91 percent that receive benefits, 82 percent are retired, 6.5 percent receive benefits due to their spouse's earnings and 11.5 percent receive survivor's benefits.



As of 2007, approximately 97 percent of eligible persons age 20-49 have survivor protection for their children under age 18 and for surviving spouses caring for children under age 16. During this same period, 91 percent of the population over 65 were receiving benefits. Social Security benefits comprised 37 percent of all income for individuals and married couples age 65 and over.

As shown in the chart, *Percent of Elderly Beneficiary Income from Social Security Benefits*, Social Security benefits comprise at least 90 percent of total income for one-third of the elderly beneficiaries. For nearly two-thirds of elderly beneficiaries, it is their major income source (50-100 percent of their income).





The basic benefit structure of the Social Security system has remained unchanged in principle since 1939. Monthly benefits related to the worker's previous earnings are payable to retired and disabled workers, to eligible survivors, and to their families. Benefits based on prior earnings reflect workers' prior standards of living and the earnings from which they paid Social Security taxes. The level of career average earnings replaced by Social Security benefits varies because the benefit formula is progressive. The proportion of previous earnings that is replaced (earnings replacement) is greater for lower than for higher earners because lower earners have less ability to save and invest during their careers. This weighting shows the greater economic needs of the person at a lower earnings level and the

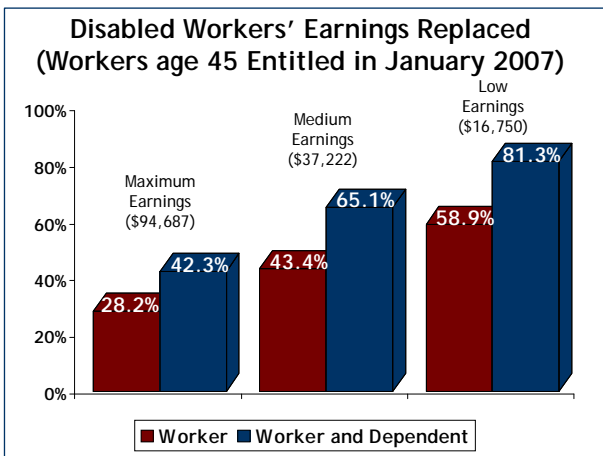
greater likelihood that higher paid workers will have supplementary pensions and private savings. The chart, *Pre-Retirement Earnings Replaced*, shows the earnings replacement rate in 2007 for single workers and couples (e.g., worker with a spouse age 65 or older who is not insured) at various earnings levels. The earnings amounts represent the average of the worker's career earnings wage-indexed<sup>1</sup> to 2006.

**DISABILITY INSURANCE (DI) BENEFITS**

Disability under Social Security is determined based on a person's inability to work. SSA considers a person disabled under Social Security rules if the person cannot perform the work he did before the Agency determined that he could not adjust to other work because of his medical condition(s). A person's disability must also last or be expected to last for at least one year or result in death. In order to qualify for DI benefits, a person must have worked long enough and recently enough under Social Security to be insured in addition to being disabled.

DI benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. SSA evaluates the work activity of persons claiming or receiving disability benefits. The Agency uses earnings guidelines to evaluate a person's work activity to decide whether the work activity is substantial gainful activity. A person is considered to be performing substantial gainful activity if he/she is earning more than a certain amount of money per month. Once benefits begin, they continue for as long as the person is disabled and does not perform substantial gainful activity. Social Security offers programs that provide incentives for people who would like to return to the workforce. The Agency also conducts periodic continuing disability reviews to determine whether current beneficiaries remain disabled.

The chart, *Disabled Workers' Earnings Replaced*, shows the earnings replacement rate in 2007 for disabled workers and their dependents at various earnings levels. The earnings amount represents the average of the workers' career earnings wage-indexed through 2006.

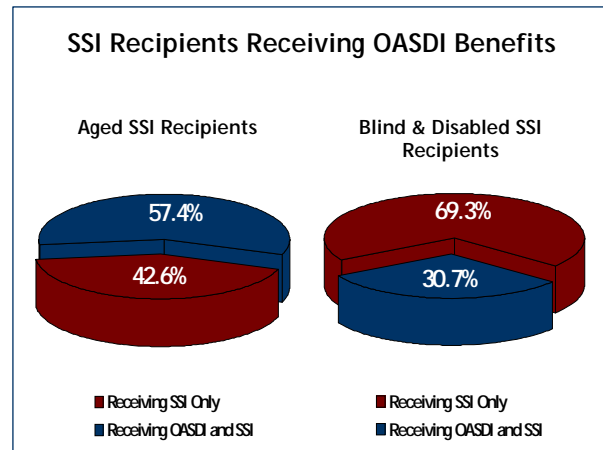


<sup>1</sup> For more information on wage-indexing, please see: <http://www.ssa.gov/OACT/COLA/AWI.html#Series>.

## SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM

SSI is a means-tested program designed to provide or supplement the income of aged, blind, or disabled people with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security OASDI Trust Funds. Children, as well as adults, can receive payments based on disability or blindness.

The definition of disability for adults used in the SSI program is the same as that used in the DI program, with the exception of statutory blindness for which different rules apply. Like the DI program, there is a separate definition of disability for children applying for SSI benefits. There are general provisions to encourage returning to work and special work incentives for all recipients. SSI is the sole source of income for most recipients. However, as of September 2007, 35.1 percent of all SSI recipients also received Social Security benefits. The chart to the right, *SSI Recipients Receiving OASDI Benefits*, illustrates that a larger percentage of aged SSI recipients (57.4 percent) are receiving both OASDI and SSI benefits while a smaller percentage of blind and disabled SSI recipients (30.7 percent) receive both OASDI and SSI benefits.



## AGENCY ORGANIZATION

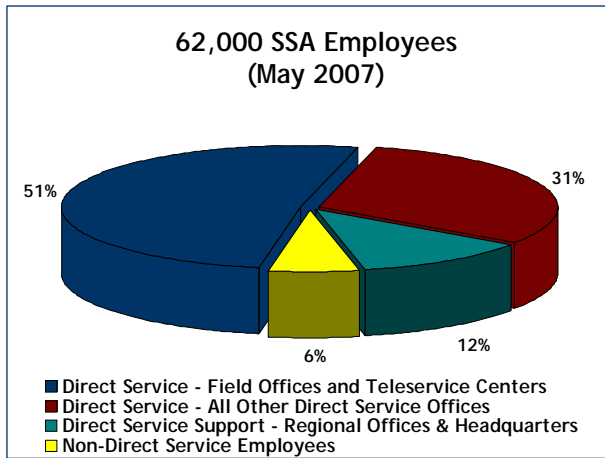
The Social Security Administration (SSA) has provided direct service to the American public at critical stages in their lives and has ranked among the premier agencies in Government service for over 70 years. Agency programs touch the lives of over 95 percent of all Americans. As the Federal agency charged with managing and delivering these programs for people across the country, SSA's success is dependent upon how well it manages its limited resources to meet the needs of the American people.

In FY 2007, as in prior years, SSA's limited resources were primarily used to process its workloads including:

- Paying benefits to over 54 million people every month;
- Making decisions on nearly 656 thousand hearings and appellate actions;
- Issuing over 17.6 million Social Security cards;
- Processing over 265 million earnings items for crediting to workers' earnings records;
- Handling 57 million calls to SSA's 800-number;
- Issuing over 146 million Social Security Statements;
- Processing over 764 thousand periodic continuing disability reviews;
- Processing over one million non-disability SSI redeterminations to ensure that SSI eligibility is still met; and
- Administering components of the Medicare programs, including subsidy applications, calculating and withholding premiums, making eligibility determinations, and taking applications for replacement Medicare cards.

SSA's organization is centrally managed with a nationwide network of over 1,300 offices which includes Field Offices, Regional Offices, Teleservice Centers (800-number), Program Service Centers, Hearing Offices, and State Disability Determination Services. The public can also conduct business and obtain information via SSA's website at [www.socialsecurity.gov](http://www.socialsecurity.gov).

SSA's organizational structure is designed to provide timely, accurate, and responsive service to the public. By integrating support services for all of its programs, SSA enhances efficiency, avoids duplication of effort, and increases opportunities to provide one-stop service to the public. SSA's Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service at 1-800-SSA-1213. The Program Service Centers process a wide variety of workloads, as well as answer 800-number calls. The Office of Central Operations, which includes the Data Operations Center, processes retirement and disability-related workloads, maintains records of worker's earnings, and also has an expanded role in answering 800-number calls. The State Disability Determination Service offices process medical decisions for the SSA Field Offices. The Hearing Offices make decisions on appeals of SSA determinations.



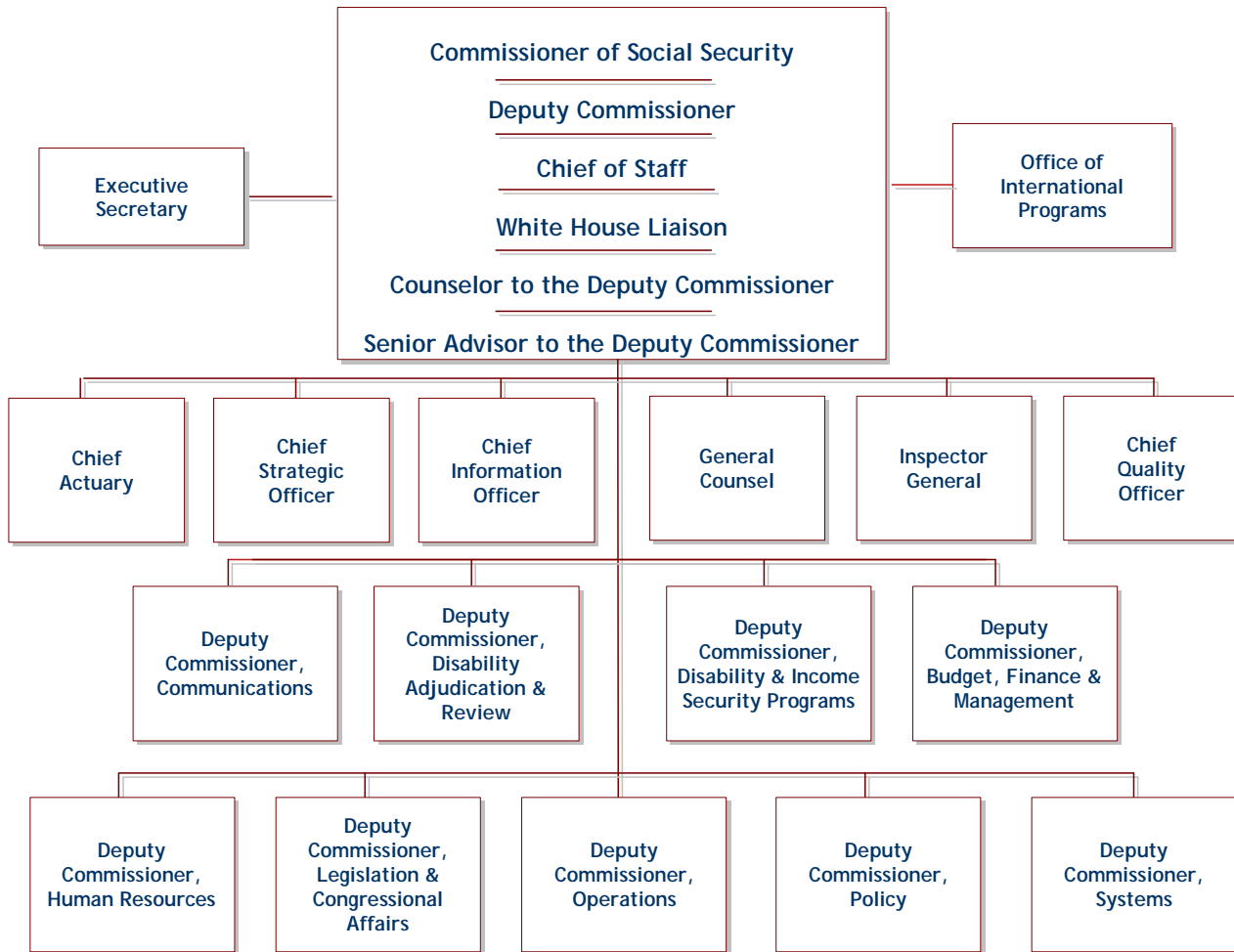
As shown in the chart, 62,000 SSA Employees, around 58,000 of SSA's employees deliver direct service to the public or directly support the services provided by the Agency's front-line staff. Roughly 31,500 employees work in over 1,200 SSA Field Offices (including Resident Stations) and 35 Teleservice Centers.

Approximately 19,000 employees provide direct service from the Agency's Program Service Centers, Hearing Offices, the Office of Central Operations, the Office of General Counsel, the Office of the Inspector General, the Office of Public Inquiries, the Office of Quality Performance, and [Social Security Online](#). Another 7,500 employees in Regional Offices and Headquarters directly

support the services delivered by Social Security's front-line workers. The disability programs also depend on the work of over 15,000 employees in State Disability Determination Services.

SSA's employees in non-direct service positions perform equally important functions in developing information technology and public information products, ensuring sound fiscal stewardship, developing and implementing uniform program policies and procedures, and supporting the workforce by providing, maintaining, and safeguarding the Agency's facilities. SSA's administrative expenses, driven by the size of the programs the Agency administers, are less than two percent of total outlays.

**ORGANIZATION OF THE SOCIAL SECURITY ADMINISTRATION**



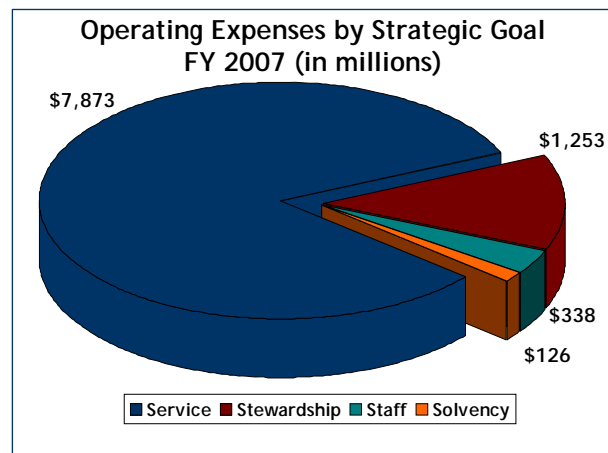
# OVERVIEW OF KEY PERFORMANCE INDICATORS, GOALS AND RESULTS

## FY 2007 OVERVIEW OF PERFORMANCE

SSA is developing a new *Agency Strategic Plan* (ASP) for Fiscal Years (FY) 2008 through 2013. The ASP reflects the priorities and direction of the President and SSA's Commissioner, setting the Agency's course for achieving measurable results that improve American lives. The current ASP's four strategic goals drive objectives and outcomes that support the Agency's mission and provide the framework for allocating Agency resources. These objectives articulate the challenge of providing outstanding public service, improving program integrity through financial stewardship, supporting reforms to ensure sustainable solvency for future generations, and maintaining the quality staff SSA needs to provide service and stewardship. SSA has worked diligently to emphasize the relationship between resources and results.

The following figures represent the portion of the Agency's FY 2007 operating expenses used in support of each strategic goal.

- To deliver high-quality, citizen-centered service -- \$7,873 million
- To protect the integrity of Social Security programs through superior stewardship -- \$1,253 million
- To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations -- \$126 million
- To strategically manage and align staff to support the mission of the Agency -- \$338 million



Agency accounting and cost analysis systems which track the administrative costs of SSA programs by workload, as well as employee production rates, provide integrated financial and performance information for SSA managers at all levels. Agency executives meet on a periodic basis to review and discuss performance measures. Resource allocation decisions are then made based on performance and projected workloads.

The Agency's *Annual Performance Plan* (APP) describes how SSA will strategically perform in a given fiscal year. It specifies performance targets by which Agency goals and objectives can be measured. SSA has developed automated tools to assist the Agency in determining the full and marginal costs of achieving performance outcomes. These tools enable SSA to determine the resources required to keep up with core workloads, process special workloads, work down backlogs of disability claims, hearings and appeals, other operational workloads, and improve productivity and fiscal stewardship. A primary purpose of the *FY 2007 Performance and Accountability Report* (PAR) is to document the Agency's accomplishments for the performance measures specified in the *Annual Performance Plan for FY 2007*.

The *Government Performance and Results Act* (GPRA) requires all Federal agencies to create performance indicators and goals. Of the Agency's 38 GPRA performance measures, 16 have been designated as key performance indicators (KPIs). These 16 indicators, charted on the following pages, were selected because they characterize the Agency's efforts to address the measurable challenges it faces. A chart of all 38 performance measures and goals can be found in the *Performance Section* on page 49.

The following performance tables group the FY 2007 KPIs according to the strategic goal they support. The *Goal Achieved?* column displays either an up ( ↑ ) arrow if the goal was achieved or a down ( ↓ ) arrow if the goal was not achieved.

Strategic Goal 1: <i>To deliver high quality, citizen-centered service</i>					
Key Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See <sup>1</sup> Page #
1.1a	Percent of initial disability claims receipts processed up to the budgeted level	100% <sup>2</sup>	100% <sup>3</sup>	↑	54
1.1b	Maintain the number of initial disability claims pending in the Disability Determination Services (at or below the FY 2007 goal)	577,000	555,317	↑	55
1.1c	Number of SSA hearings processed	555,000 <sup>4</sup>	547,951	↓	55
1.1d	Maintain the number of SSA hearings pending (at or below the FY 2007 goal)	738,000 <sup>4</sup>	746,744	↓	56
1.1e	Average processing time for initial disability claims	88 days	83 <sup>3</sup> days	↑	57
1.1f	Average processing time for SSA hearings	524 days	512 days	↑	58
1.3d	Maximize public use of electronic services to conduct business with SSA	2,946,800	2,869,829	↓	66
1.3e	Increase the percent of employee reports (W-2 forms) filed electronically and processed to completion	80%	81% <sup>3</sup>	↑	67
1.3f	Percent of individuals who do business with SSA rating the overall service as "excellent," "very good," or "good"	83%	81%	↓	68

SSA is committed to providing superior service to the American public despite increased workloads and reduced resources. The Agency continues to face significant challenges in attempting to provide the level of service that disability benefits claimants deserve due to the complexity of and growth in claims for those benefits. The Agency continues to make significant progress in implementing new processes to enhance its ability to make accurate, consistent, and timely disability decisions. One indication of the progress being made is that the Agency has met performance goals for initial disability claims processed, pending and average processing time. In the last half of FY 2007, the Agency implemented a plan to eliminate the hearings backlog by FY 2013. While SSA met the goal for average processing time for hearings, the goals for hearings processed and pending have suffered. The initial focus of the hearings backlog elimination has been the oldest cases, which are paper claims that take more time to review. As the paper claims continue to be completed and electronic claims become standard, SSA expects to meet the hearing processed and pending goals in the future. With better systems and processes, SSA expects to improve disability claims service and the Agency’s overall service rating.

<sup>1</sup> More detailed information can be found in the *Performance Section* on the pages cited in the chart above.

<sup>2</sup> The budgeted level for FY 2007 was 2,530,000.

<sup>3</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

<sup>4</sup> Final FY 2007 appropriations decisions for the Agency restored sufficient resources to the Agency's FY 2007 budget to allow processing of 14,000 additional SSA hearings. The appropriations change required an adjustment to the projected workloads for FY 2007 compared to those shown in the FY 2007 column of the FY 2008 President's Budget and the Congressional Justification for the Agency's budget. This number has been modified to reflect this action.

<b>Strategic Goal 2: <i>To protect the integrity of Social Security programs through superior stewardship</i></b>					
<b>Key Performance Indicator</b>		<b>FY 2007 Goal</b>	<b>FY 2007 Actual</b>	<b>Goal Achieved?</b>	<b>See<sup>1</sup> Page #</b>
2.1a	Number of Supplemental Security Income (SSI) non-disability redeterminations processed	1,026,000	1,038,948	↑	70
2.1b	Number of periodic Continuing Disability Reviews (CDRs) processed to determine continuing entitlement based on disability	729,000	764,852	↑	71
2.2b	Percent of SSN receipts processed up to the budgeted level	96% <sup>2</sup>	97% <sup>3</sup>	↑	78
2.4b	Disability Determination Services (DDS) case production per workyear (PPWY)	252	249 <sup>3</sup>	↓	80
2.4f	Get to “green” on the <i>President’s Management Agenda</i> (PMA) initiatives status scores	Achieve a status score of “green” on five of five PMA initiatives	Achieved a status score of “green” on four of five PMA initiatives	↓	84

SSA continues to help ensure the integrity of the disability program by conducting CDRs and SSI redeterminations. Processing these two important workloads equal a program savings of approximately \$10 to \$1 for CDRs and \$7 to \$1 for SSI redeterminations. SSA’s attempts to safeguard the process of assigning and issuing SSNs, have contributed to significant improvements in the enumeration and verification processes. Social Security Card Centers are one example of using a highly-trained staff to process this specialized workload. DDS PPWY continues to suffer due to overall Agency resource constraints and reduced staffing levels which are complicated by the DDSs experiencing a retirement wave similar to that of SSA. At the end of FY 2007, DDS staffing levels were between 1,000 and 1,200 employees below the FY 2005 staffing level and is expected to continue decreasing in FY 2008. Although SSA did not achieve “green” status in the *Expanded Electronic Government* portion of the PMA scorecard, the Agency continues to enhance its use of electronic technologies. For example, SSA is planning several enhancements to the existing Internet Social Security Benefits Application, which allows the public to apply for retirement, disability, or spousal benefits online. The Agency is also working to add fraud indicators to eVerify, which provides an automated link to Federal databases to help employers determine the employment eligibility of new hires and the validity of their Social Security numbers. Although SSA is working more efficiently, higher productivity and improved processes are not enough to keep up with increasing workloads and eliminate backlogs.

<b>Strategic Goal 3: <i>To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations</i></b>					
<b>Key Performance Indicator</b>		<b>FY 2007 Goal</b>	<b>FY 2007 Actual</b>	<b>Goal Achieved?</b>	<b>See<sup>1</sup> Page #</b>
3.1a	Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	↑	85

<sup>1</sup> More detailed information can be found in the *Performance Section* on the pages cited in the chart above.

<sup>2</sup> The budgeted level for FY 2007 was 18,000,000. The goal of 96% of the budgeted level was 17,280,000.

<sup>3</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

SSA provided analytical and data support to the Administration and Congress on legislative proposals to address Social Security reform issues related to the solvency of the Trust Funds. In addition, SSA continues to communicate with the public at forums about SSA programs and financing facts, promote information and services available on the Internet website, and issue annual *Social Security Statements*.

Strategic Goal 4: <i>To strategically manage and align staff to support the mission of the Agency</i>					
Key Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See <sup>1</sup> Page #
4.1a	Minimize skill and knowledge gaps in mission-critical positions	Identify skill and competency gaps and develop an implementation plan for addressing gaps in mission critical occupations - Actuaries and Economists	Completed	↑	87

SSA continues to be committed to outstanding service and continuous improvement. At the heart of that commitment is a staff of highly committed, capable, and creative employees who provide a high level of service to the American people. Workloads are expected to grow significantly while the Agency faces a retirement wave. With this in mind, SSA has developed human capital strategies to help the Agency maintain a workforce armed with the knowledge, skills, and abilities necessary to safeguard operations and ensure that the Agency provides quality service to the public.

Electronic versions of the documents discussed can be viewed at the following Internet addresses:

- SSA's *Strategic Plan FY 2006 – FY 2011* can be found at: <http://www.socialsecurity.gov/strategicplan.html>.
- SSA's *FY 2008 Annual Performance Plan/Revised Final FY 2007 Annual Performance Plan* can be found at: <http://www.socialsecurity.gov/performance/>.
- For a paper copy of either SSA's *Strategic Plan* or *Annual Performance Plan*, write to:

Social Security Administration  
Office of Strategic Management  
4215 West High Rise  
6401 Security Boulevard  
Baltimore, MD 21235

## DATA QUALITY

Social Security is committed to providing clear, reliable data for managerial decision-making and oversight. The Agency strives to ensure that its data is quantifiable and verifiable. SSA management has put internal controls in place to provide reasonable assurance that these objectives are met. These controls include ongoing data quality reviews as well as reviews at all levels of management, audit trails, restricted access to sensitive data, and separation of job responsibilities. SSA's controls provide assurances that data in this Report contain no material inadequacies and support the Commissioner's Federal Managers' Financial Integrity Act Assurance Statement.

<sup>1</sup> More detailed information can be found in the *Performance Section* on the pages cited in the chart above.



## **SOCIAL SECURITY DATA INTEGRITY SYSTEMS AND CONTROLS**

Data for quantifiable performance measures are generated by automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or more. The Agency performs stewardship reviews on the quality of Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. The reviews are the primary measure of quality for Agency performance and provide an overall accuracy measurement of payments to all Social Security beneficiaries. Each review is based on sample selections from Social Security records consisting of beneficiaries currently receiving monthly benefits. For each sampled claim, Social Security interviews the recipient or authorized representative, makes other contacts as needed, and redevelops all non-medical factors of eligibility.

SSA uses an evaluation process to provide quality feedback on recently processed OASDI and SSI claims in addition to SSI redeterminations (a review of a recipient's/couple's non-medical eligibility factors to determine whether the recipient/couple is still eligible for and receiving the correct SSI payment). The process, known as Transaction Accuracy Reviews, focuses on Field Office and Program Service Center quality. It relies on claims processing procedures defined in the Agency's *Program Operations Manual System* instructions. The review samples a total of about 17,000 claims annually - 8,500 for each of the OASDI and SSI programs. Results from these reviews are extrapolated to produce national and regional data on the quality of approximately 5 million OASDI claims, as well as 4.2 million SSI claims, redeterminations, and other actions. In addition, Regional Office staff conducts field assistance visits to identify areas where work process improvements can be made. An annual report and a mid-year updated report are produced.

## **ROLE OF SOCIAL SECURITY'S OFFICE OF THE INSPECTOR GENERAL (OIG)**

The Office of Inspector General (OIG) has a key role in auditing performance measure data systems to determine the validity and reliability of performance, budgeting, and financial data. The OIG contracts with PricewaterhouseCoopers to perform the *Government Performance and Results Act* (GPRA) audits. The objectives of the audit are to:

- Assess and test SSA's internal controls over the development and reporting of performance data for selected annual performance indicators;
- Assess and test the application controls related to the performance indicators;
- Assess the overall reliability of the performance indicators' computer processed data;
- Test the accuracy of results presented and disclosed in the PAR;
- Assess the meaningfulness of the performance indicators; and
- Report the results of the testing to the OIG and SSA Management.

In FY 2007, OIG issued seven audits that initiated a review of 14 GPRA performance measures. Three of these audits were based on work completed in FY 2007. These audits, also known as historical audits, addressed five performance measures. The other four audits are based on data as it became available during FY 2007. These real-time audits address nine performance measures. The results of these four audits will not be available until early in calendar year 2008 and will be reported in the FY 2008 PAR. SSA has already implemented or agreed to implement a majority of the audit recommendations in response to the audit observations made by the OIG.

The following issues from the three released FY 2007 historical audits were identified:

- Four of the performance measures' data were reliable.
- One of the performance measures' data was unreliable because SSA programmers had direct access rights to the performance measure data. It should be noted that SSA management has since removed all programmers' direct access. Furthermore, the auditors were able to re-calculate the data for this measure and found no errors.

- One performance measure did not have complete documentation of its policies and procedures. This issue has been resolved and the action was noted in the final audit report.
- One performance measure did not clearly support a Strategic Objective. This issue has been resolved within this FY 2007 PAR by expanding the performance measure discussion.

In FY 2007, OIG also completed the real-time audits of nine FY 2006 PAR performance measures. The following issues relating to the reliability of the computerized data were identified:

- Five of the performance measures' data were reliable.
- Three of the performance measures' data were unreliable because SSA programmers had direct access rights to the performance measure data. It should be noted that SSA management has since removed all programmers' direct access. The auditors found no errors during the data recalculation of these measures.
- One of the performance measures' data was unreliable because the User Identification and password settings for a program were inadequate. This issue will not be resolved because the system used to maintain the data will be replaced in 2008. The new system will contain the necessary User Identification and password settings. The auditor's found no errors during the data re-calculation of this measure. This information is noted in the audit report.

Refer to the *Inspector General's Statement on SSA's Major Management Challenges, Internal Control Environment and Performance Measures* section, beginning on page 172, for more information about how the GPRA audits were performed.

### **AUDIT OF SSA'S FY 2007 FINANCIAL STATEMENTS**

In accordance with the *Chief Financial Officer's Act of 1990*, SSA's financial statements were independently audited by PricewaterhouseCoopers. The objective of this audit was to determine whether the financial statements fairly presented the financial position of the Agency. The audit included an examination of the data supporting the amounts and disclosures in SSA's financial statements. The PricewaterhouseCoopers audit report can be found in the *Financial Section* of this FY 2007 PAR.

# AGENCY CHALLENGES

## **MAJOR MANAGEMENT CHALLENGES**

The Government Accountability Office (GAO) and Social Security's Office of the Inspector General (OIG) have identified several areas where the Agency can improve its operations. The tables below list the major challenges facing the Agency, the corresponding actions taken in response to these challenges, and actions planned for the future.

The major management challenges for FY 2007 included 11 items:

- I. Social Security Number Protection (OIG)
- II. Management of the Disability Process (OIG)
- III. Improve the Disability Determination Service Process and Return to Work (GAO)
- IV. Disability Insurance - High Risk (GAO)
- V. Supplemental Security Income (GAO)
- VI. Improper Payments and Recovery of Overpayments (OIG)
- VII. Service Delivery and Electronic Government (OIG & GAO)
- VIII. Internal Control Environment and Performance Measures (OIG)
- IX. Systems Security and Critical Infrastructure Protection (OIG)
- X. Information Security (GAO)
- XI. Human Capital (GAO)

I. Social Security Number Protection (OIG)
<p>The process of assigning and issuing Social Security Numbers (SSN), known as enumeration, is a core Agency function. The Social Security card provides a written record of the number that has been assigned to an individual so that employers can accurately report a worker's earnings. Although SSA's purpose for assigning a number and issuing a card has not changed, the SSN has become a convenient means of identification for both the Government and the private sector. This usage has made the SSN vulnerable to acts of identity theft and fraud.</p> <p>As stewards of the Social Security program, one of SSA's Strategic Objectives is to strengthen the integrity of the enumeration process. The Agency has taken many steps to increase its capacity to prevent SSN misuse including implementation of new policy initiatives under the <i>Intelligence Reform and Terrorism Prevention Act of 2004</i> (IRTPA), PL.108-458. IRTPA requires that SSA limit the issuance of multiple replacement SSN cards, establish minimum standards for verifying documents submitted for an original or replacement SSN card, verify any birth record submitted by a U.S. born individual for original cards, and coordinate with the Department of Homeland Security and other agencies to further improve the security of Social Security cards and numbers.</p>
Current and Future Actions
Enumeration at Birth
<p>Enumeration at Birth (EAB) offers parents an opportunity to request an SSN for their newborn during the birth registration process. The process is quick, easy, and convenient.</p> <p>In accordance with recent SSA OIG and GAO audit recommendations, as well as Section 7213(c) of IRTPA, SSA modified the EAB systems process to prevent the assignment of multiple SSNs to the same child and to restrict the assignment of SSNs to unnamed children. These system enhancements have improved the EAB process and reduced opportunities for fraud.</p>

**Numident Updates**

In March 2007, two new fraud indicators were implemented for internal use by SSA. These indicators identify cases where: (1) SSA's OIG investigated and established that an original SSN was assigned based on fraudulent documents or no documents at all, and (2) SSN card number holders requested a new SSN because their original SSN was misused with criminal or harmful intent and, as a result, they have been subjected to recent economic or personal hardship. This fraud indicator is assigned to the original SSN when a new SSN is created. Refer to eVerify, below, for more information about fraud indicators and SSN verification programs.

**Modernized Enumeration System**

In FY 2007, the Agency began to redesign the Modernized Enumeration System to protect the integrity of the SSN by further improving the enumeration process. The SS-5 Assistant application is a software program that interfaces with the Modernized Enumeration System and assists Field Office personnel in gathering and recording required SSN application information. The SS-5 Assistant was developed to ensure compliance with SSA's comprehensive enumeration policies and procedures. The application confirms that the necessary evidence and documents (verifications) are received for non-citizen applications prior to processing Social Security card applications.

In FY 2007, SSA implemented software that allows SS-5 Assistant users to access the Department of Homeland Security's web-based Systematic Alien Verification for Entitlements application that allows for the automatic processing of these verifications and eliminates the need to send a paper document verification request in most situations. New software will combine the current Modernized Enumeration System and SS-5 Assistant programs into a single application and will be available for employee use in FY 2008.

**Social Security Number Verification Service**

In 2005, the Agency implemented an Internet-based tool, the Social Security Number Verification Service, that allows employers to instantly verify up to ten names and SSNs. In addition, employers can upload overnight files of up to 250,000 names and SSNs and usually receive a response by the next business day. This option allows employers to verify an entire payroll database or a large number of newly-hired workers for wage reporting (Form W-2) purposes. If information does not match, the Agency will send notices to employers requesting the corrected information be forwarded to the Agency within 60 days. If the employer cannot resolve the error, then the employer should advise the employee to contact their local Social Security office.

**eVerify**

The eVerify program, formerly known as Basic Pilot, is conducted jointly by SSA and the Department of Homeland Security. eVerify enables employers who participate voluntarily to electronically verify the employment eligibility for newly-hired employees. As of mid FY 2007, there were more than 19,000 employers participating in eVerify at more than 81,000 sites. Participation is growing by more than 1,000 employers every month.

This year, SSA continued to modify the information shared with employers. Under IRTPA, SSA is required to add both death and fraud indicators to the SSN verification systems for employers, State agencies issuing drivers' licenses and identity cards, and other verification routines as determined appropriate by the Commissioner of Social Security. SSA previously added death indicators to those verification routines used by employers and State agencies and is working to add fraud indicators by December 2007.

**Social Security Card Enhancements**

In April 2007, SSA made several improvements to the Social Security card. The card issuance date is now printed on the card. It also contains instructions that state the card should not be signed until the card carrier is age 18 or begins to work, whichever is earlier. Finally, language on the back of the card about identity theft and misuse has been enhanced to include the Federal Trade Commission's phone number and website, as well as SSA's fraud hotline number.

As of October 2007, the number holder's last name and any suffix, such as Jr., will be printed on a second line on the card. Employers have been requesting this change for a number of years to resolve verification issues. In addition, the new card has enhanced security features, such as symbols on both sides of the card and the fading of color on the card.

## II. Management of the Disability Process (OIG)

SSA must continue to improve critical parts of the disability process such as making timely disability decisions and safeguarding the integrity of its disability programs. To achieve those goals, SSA has implemented a number of initiatives including: (1) an electronic disability processing system aimed at eliminating delays caused by the handling of paper claim files; (2) a comprehensive process improvement initiative aimed at making decisions earlier in the claims process; and (3) a comprehensive fraud and abuse investigation program.

### Current and Future Actions

#### Electronic Disability Folders

The electronic folder helps reduce processing delays caused by organizing, mailing, locating, and reconstructing paper folders. The Independence Day Assessment (IDA) certification process was designed to verify a component's readiness to accept electronic folders and operate in a fully electronic environment.

As of January 4, 2007, all Disability Determination Services sites, the Division of Disability Hearings Quality, and the Division of Disability Quality Operations were IDA-certified. In addition, as of May 31, 2007, all of the Office of Disability Adjudication and Review's (ODAR) states/territories with Hearing Offices, Program Service Centers, the Office of Disability Operations, and four Disability Processing Branches have been IDA-certified. The Agency expects the remaining three Disability Processing Branches, including the Flexible Disability Unit, to be IDA-certified by December 2007. SSA also expects to expand the electronic disability process to the Office of International Operations by early 2008.

#### Continuing Disability Review Diary Model

SSA helps ensure the integrity of the disability program by conducting continuing disability reviews (CDR) to determine whether beneficiaries continue to be eligible for benefits based on their medical conditions. SSA has developed the CDR mailer/statistical scoring model process that screens cases and identifies those in which a full medical review is not cost-effective.

Beginning in FY 2007, an additional statistical scoring model was developed to more accurately assign medical re-examination diary types and corresponding medical re-examination dates to indicate when a CDR is necessary. Implementation of the Diary Model will save SSA millions of dollars by assigning medical diaries to cases where medical improvement is most likely. The Diary Model was fully implemented in FY 2007 as part of the National Disability Determination Service System.

#### Cooperative Disability Investigations Program

SSA's Cooperative Disability Investigations program continues to be one of the Agency's most successful anti-fraud initiatives. Cooperative Disability Investigations are a joint effort of the OIG, SSA, State DDS, and State and local law enforcement personnel. SSA's 19 Cooperative Disability Investigations units in 17 States investigate issues of fraud and abuse related to initial and continuing disability claims. The Cooperative Disability Investigations program yielded almost \$92 million in SSA program savings during FY 2007.

#### Fugitive Felon Program

The Fugitive Felon Program helps to safeguard the integrity of SSA's disability programs by identifying fugitive felons and parole and probation violators via computer data matches between SSA's beneficiary rolls and Federal and State warrant databases. The impact of this program reaches beyond Social Security to local communities nationwide. OIG aids local law enforcement agencies in locating fugitive felons by providing the address and bank information of the wanted individual on SSA records. SSA is prohibited from paying Social Security to fugitive felons. In addition, fugitive felons are barred from serving as representative payees. A representative payee is the person, agency, organization, or institution selected to receive and manage benefits on behalf of an incapable beneficiary; this includes, for example, a parent who is receiving benefits on behalf of his/her minor child.

**III. Improve the Disability Determination Service Process and Return to Work (GAO)**

Modernizing Federal Disability Programs has been on the GAO's high-risk list since 2003. The reasons given by the GAO include lengthy processing times, outmoded concepts of disability, and inconsistencies in disability decisions across adjudicative levels and locations. SSA needs to continue to improve critical parts of the disability process, such as making disability decisions and improving the timeliness and quality of the Agency's disability adjudication processes. Disability criteria must be updated to reflect the current state of science, medicine, technology, and labor market conditions.

SSA is in the process of moving from a "disabled for life" approach to one that helps individuals with disabilities return to work. An emphasis towards enhancing the productive capabilities of beneficiaries would result in a fundamental shift in the Agency's focus.

**Current and Future Actions**

**Quick Disability Determination Process**

The Quick Disability Determination (QDD) process accelerates claims where there is a high potential that the claimant is disabled and where evidence of the claimant's alleged disabling condition(s) is readily available. Since August 2006, SSA has successfully used this process in the six States within the Boston region (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont) with the result that 96 percent of closed QDD cases were processed as allowances and 94 percent had decision times of 20 days or less. The national QDD rollout began on October 9, 2007 with Arizona, New Jersey, and North Dakota. During the month of October, the Agency will rollout a total of 18 States (38 percent). There will be 17 additional States rolling out in November (36 percent) and seven States (15 percent) in December. SSA expects 89 percent of all States and U.S. Territories to be rolled out by the end of December 2007.

**Return to Work Initiative**

SSA seeks to address the multiple barriers faced by beneficiaries who wish to return to work through immediate and demonstration projects. The immediate projects include regulatory initiatives and other actions SSA has begun or will begin in the short term. The demonstration projects are longer term activities that address barriers to working or returning to work. SSA's research and demonstration projects include:

- The Accelerated Benefits Demonstration, which will provide immediate health benefits and employment supports to newly entitled Disability Insurance (DI) beneficiaries who have no medical insurance. Recruitment for this project began in October 2007 and a final report is expected in 2011.
- The Benefit Offset project, which will test whether providing supports and services to disability applicants, will result in improved employment, earnings, and other outcomes for people with disabilities. As of December 2006, four pilot States had recruited approximately 900 beneficiaries into the treatment groups.
- The National Benefit Offset Demonstration, which will allow beneficiaries to face a gradual reduction in their benefits, eliminating the abrupt loss of benefits from the DI program when a beneficiary works and has earnings over a specific amount. This project is currently under design.
- The Mental Health Treatment Study, which will provide mental health disorder treatments and employment supports that are not covered by other insurance. The purpose of this study will be to determine the impact these services have on outcomes, such as medical recovery, employment, and benefit receipt for certain DI beneficiaries. Recruitment for this project began in October 2006 and a final evaluation is expected in 2010.
- The Youth Transition Demonstration projects are designed to enable youth with disabilities to maximize their self-sufficiency. Multiple government agencies, school systems, private-sector providers, and employers will be brought together to create enhanced transition programs, better services, and service delivery systems. These activities may lead to reductions in Federal and State expenditures for Supplemental Security Income, Medicaid and other public benefits; increases in public revenues; and a better quality of life for persons with disabilities.

Regulatory changes include finalizing the changes to the Ticket to Work program proposed in the September 2005 *Ticket to Work Notice of Proposed Rule Making*. The Agency expects to publish these final rules in early 2008.

**Medical Impairment Listings**

SSA remains committed to updating the medical listings to take into account advances in medical care and treatment. Within the past 12 months, SSA has published a final regulation covering visual impairments and the Agency is in the final stages of publishing final regulations for the digestive system and the immune system. In addition, SSA anticipates publishing a Notice of Proposed Rule Making this year for mental impairments, malignant neoplastic diseases, and respiratory disorders.

**IV. Disability Insurance - High Risk (GAO)**

The GAO added modernizing Federal disability programs, including SSA's Disability Insurance (DI) program, to its high-risk list in January 2003 due, in part, to lengthy processing times. SSA continues to improve the DI program with electronic services intended to decrease processing time and medical reviews to determine continued eligibility.

With the Social Security DI program, SSA serves a diverse population of individuals with disabilities. Beneficiaries represent various age groups and have different impairments, levels of education, work experiences, and capacities for working. Once SSA establishes eligibility for disability benefits, the Agency turns its efforts toward ensuring that an individual continues receiving benefits only as long as SSA's eligibility criteria are met.

**Current and Future Actions****Improving Hearing Office Procedures and Reducing Hearing Office Backlogs**

In addition to the initiatives listed under *II. Management of the Disability Process*, the Agency has begun efforts to address the backlog of aged disability cases.

SSA plans to: (1) streamline the file assembly process and have additional staff available to prepare cases in order to schedule the hearing dockets of current Administrative Law Judges (ALJs) to capacity; (2) improve the productivity of current ALJs; (3) remand cases to the Disability Determination Service offices to issue fully favorable determinations or update the claims file; (4) appoint additional Senior attorneys and ALJs from other agencies to cover the most backlogged offices; (5) implement a medical expert screening process; (6) hire more ALJs to reach the 1250 level by FY 2008; and (7) open a National Hearing Center to handle electronic files and conduct video hearings.

**Findings Integrated Template**

The Findings Integrated Template is an electronic program that the Administrative Law Judges (ALJ) uses as a decision-tool for cases. The Findings Integrated Template was developed to improve the quality of ALJ decisions by providing a template to follow throughout the decision-writing process. The Findings Integrated Template gives a guide for drafting decisions that follow the related statutory and regulatory requirements and was originally piloted in 40 hearing offices. The template was modified and improved based on feedback from these pilot offices and was released to all hearing offices in January 2006. Approximately 80 percent of ALJs are using this template. Judges are reporting that the decision drafts are of higher quality and, because of the format, they are able to review the drafts more quickly and spend less time editing.

**Continuing Disability Reviews (Medical)**

SSA helps ensure the integrity of the disability program by conducting Continuing Disability Reviews (CDR) to determine whether beneficiaries continue to be entitled to benefits based on their medical conditions. SSA began processing CDRs using electronic folders in June 2007. Not only will the electronic records ensure that SSA has medical information available for future CDRs, SSA will also begin to collect data that can be used to target reviews of those cases with the greatest likelihood of medical improvement. Processing CDRs is also cost-effective: SSA saves \$10 in program benefits for every \$1 spent conducting these reviews.

**V. Supplemental Security Income (GAO)**

In 1997, GAO designated the Supplemental Security Income (SSI) program as “high risk.” At that time, GAO indicated that SSA lacked an effective plan to address overpayments. Since that time, SSA has taken a number of steps to improve oversight of the SSI program resulting in the removal of the SSI program from GAO’s “high risk” list in 2003. SSA continues to sponsor initiatives to reduce improper payments in the SSI program.

**Current and Future Actions**

**Redeterminations**

The most powerful tool the Agency has to detect and prevent overpayments is the SSI redetermination process. Required by law, an SSI redetermination is a periodic review of non-medical factors of SSI eligibility. In FY 2007, SSA completed 1,038,948 redeterminations. The estimated benefits from the FY 2006 redeterminations totaled \$969 million in overpayment benefits (estimated recoveries of retroactive overpayments plus prevention of future overpaid monthly payments) and \$803 million in underpayment benefits. SSA saves \$7 in program benefits for every \$1 spent conducting these redeterminations.

**SSI Automated Telephone-based Monthly Wage Reporting**

SSA piloted an automated telephone-based monthly wage reporting method for workers at risk for wage-related overpayments. SSA continues to develop enhancements designed to improve the process so that it can support more callers and eventually provide fully automated national SSI wage reporting.

**VI. Improper Payments and Recovery of Overpayments (OIG)**

The President and Congress have expressed strong interest in improving the measurement and reduction of improper payments. The President’s Management Agenda (PMA) incorporates a separate agenda item for Eliminating Improper Payments. Under the *Improper Payments Information Act of 2002* (Pub. L. No. 107, 300), SSA must estimate its annual amount of improper payments and report this information in the Agency’s annual Performance and Accountability Report (PAR). Additionally, Federal agencies, such as SSA, should take all necessary steps to ensure the accuracy and integrity of Federal payments.

SSA is responsible for an estimated \$600 billion in annual benefit payments. The stewardship of these dollars is one of the Agency’s primary goals. SSA’s extensive efforts regarding the elimination of improper payments are highlighted quarterly in the PMA and annually in the PAR.

**Current and Future Actions**

**Access to Financial Information Project**

The Access to Financial Information project automates access to financial institution data. Through the use of Access to Financial Information, SSA expects to eliminate a substantial number of improper SSI payments made to applicants or recipients that have a level of resources that would make them ineligible for SSI benefits.

In FY 2007, the Agency conducted a successful test of a web-based system designed to electronically request account information from financial institutions. SSA also performed a more extensive evaluation study of the system in the New York and New Jersey Field Offices.

The Agency will expand the use of Access to Financial Information to Field Offices in the State of California. Concurrent with this expansion, the Agency is examining integration of this system with the Modernized Supplemental Security Initial Claims System and is developing a proposal for a national expansion of the system.

**eWork**

eWork is a comprehensive application that assists Agency staff in processing work reports and continuing disability reviews for disabled beneficiaries. The system implementation was completed in March 2007. eWork allows for improved coordination between Field Offices, enabling earnings information to be recorded at the point-of-contact and reducing overpayments.



**eVital/Electronic Death Registration**

SSA uses death information primarily to prevent the payment of benefits to deceased beneficiaries. eVital/Electronic Death Registration (EDR) is an eGov initiative which assists States in automating their death registration processes. EDR allows the States to verify the decedents Social Security Number online in a real-time environment. EDR allows SSA to receive a verified State death report within five days of death and within 24 hours of the death report's receipt in the State. SSA continues to monitor the progress of the States under contract and provides technical assistance to additional States that are building their vital records systems without SSA contract support. States also have access to several SSA-funded tools they can use to decrease the cost of implementing an EDR system, including Online Verification Software, National Model EDR Requirements Document, and Standards and Guidelines. To date, SSA has implemented EDR in 16 States, New York City, and the District of Columbia. The Agency anticipates 14 additional States will be implemented in FY 2008.

Provisions of the *Intelligence Reform and Terrorism Prevention Act* transfer the funding authority for EDR to the Department of Health and Human Services (HHS). SSA continues to work closely with the Office of Management and Budget and HHS on the transition of eVital to HHS.

**Fugitive Felon Program**

Refer to *II. Management of the Disability Process*

**Continuing Disability Reviews Medical**

Refer to *IV. Disability Insurance*

**SSI Redeterminations**

Refer to *V. Supplemental Security Income*

**Piloting an Automated Telephone-based Monthly Wage-Reporting**

Refer to *V. Supplemental Security Income*

**VII. Service Delivery and Electronic Government (OIG & GAO)**

One of SSA's strategic goals is to deliver high-quality "citizen-centered" service. This goal encompasses traditional and electronic services (eGov) to applicants for benefits, beneficiaries, and the public. It includes services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. eGov has changed the way Government operates and the way citizens relate to Government. Within the next five years, SSA expects to provide cost-effective eGov services to citizens, businesses, and other Government agencies allowing them to easily and securely conduct most of their business with SSA electronically.

**Current and Future Actions**

**Electronic Wage Reporting Web Service**

SSA has made significant improvements in the earnings process and service to employers. As of September 2007, 81.2 percent of tax year 2006 employee W-2s were filed electronically. SSA will continue piloting an Electronic Wage Reporting Web Service that will not only allow employers and third parties to submit wage reports more quickly, but also allow them to check the status of their submissions.

In FY 2006, SSA began designing software that will allow payroll software companies to modify their programs to electronically submit wage reports to SSA. This software will continue to be piloted in FY 2008. For tax year 2007, SSA's goal is to receive 81 percent of all W-2s electronically. Refer to page 67 under performance measure 1.3e for more discussion about the FY 2007 goal.

**Business Services Online**

Business Services Online is a suite of applications enabling organizations and authorized individuals to conduct business with and submit confidential information to SSA. Using Business Services Online, employers can submit wage reports and verify an employee's Social Security Number online. Business entities that have representatives who receive direct payment may provide SSA with the required taxpayer identification information online. Another application, Electronic Records Express, is an initiative to offer electronic options for submitting health and school records related to disability claims. Finally, eData Services is a secure website that allows other agencies to communicate sensitive information to SSA.

**Internet Social Security Benefits Application**

The Internet Social Security Benefits Application (ISBA) allows the public to apply for retirement, disability, or spousal benefits online. Census data shows that 80 million baby boomers (the generation born between 1946 and 1964) will become eligible to retire starting in January 2008. At the same time, public demand for services available via the Internet has increased. The American Customer Satisfaction Index results show the public wants the option to apply for benefits through a single, easy-to-use, secure Internet application. ISBA retirement usage volumes increased by 11 percent in FY 2007.

To help meet the growing demand for service in FY 2008, SSA is planning several enhancements to the ISBA application. These planned enhancements include usability improvements, additional automated customer support, and the ability for third parties to begin the filing process and protect claimants' filing dates. SSA will also remove two questions that exclude users from completing an online application for benefits, thereby increasing the number of successful claims submitted online. For individuals filing for disability benefits, an enhancement to ISBA will allow information to flow seamlessly into the documentation that is required for all disability applications. In addition, SSA will eventually expand ISBA claims types to include Medicare-only claims.

**W-2C Online**

SSA uses W-2C Online, which provides employers with the ability to electronically report corrections to W-2 forms, as well as W-2 News, which notifies electronic filers via e-mail of any changes to the employer services provided.

**Use of Video Technology**

SSA uses video technology to take claims and provide other services in three western States - North Dakota, Wyoming, and South Dakota. This service is in addition to the video hearings offered by the Office of Disability Adjudication and Review (ODAR). SSA has entered into a joint venture with the University of North Dakota, the General Services Administration, local Government, and tribal leaders to establish video networks. Many people live in remote areas of the United States and have restricted access to SSA Field Offices. The video sites offer many of the services provided in a Field Office. Through video technology, SSA is better able to serve the public.

The Agency plans to expand the video network to provide additional sites and services. Locations in Montana are being considered, as well as establishing links between claimants and the State Disability Determination Services. The number of claims taken has increased significantly in areas offering video conferencing.

ODAR also uses video equipment to conduct hearings on appealed claims, thereby reducing the need for judges to travel and increasing the availability of witnesses for hearings. Since 2004, ODAR has held over 120,000 hearings using video technology. ODAR currently has almost 400 video equipped hearing rooms and is continuing to expand their video hearing capacity. ODAR will soon open its National Hearing Center, which will conduct exclusively video hearings using electronic folders. ODAR also plans to expand its efforts to co-locate with SSA field Offices in order to share video technology and extend its network.

**Generations Online**

In an effort to better engage the senior population, SSA developed a tutorial to assist seniors in conducting three simple transactions on <http://www.socialsecurity.gov/>: changing an address and/or phone number, requesting direct deposit, and requesting a password.

**Retirement Planner**

The Retirement Planner provides detailed information about Social Security retirement benefits under current law and provides helpful advice to individuals contemplating retirement.

Changes to the Retirement Planner in FY 2007 included:

- Adding a link to a calculator that allows individuals to compute the effect of early or delayed retirement on their future benefits;
- Rewording the Retirement Planner military service pages to clarify how Social Security treats military service and to explain how SSA credits military service from 1957 through 2001; and
- Notifying applicants that SSA can contact their State Bureau of Vital Statistics online and verify the required information at no cost.

**Public Insight Process**

SSA developed and implemented the Public Insight Process which is a systematic approach for better integrating “the voice of the user” into the design, development, launch, and enhancement of its Internet products and services. The Public Insight Process will help to: reduce design and development costs; raise the usefulness and usability of eServices and information; increase usage of SSA’s electronic services; and provide a framework of ongoing evaluation and continuous improvement. In FY 2007, the Agency applied Public Insight Process-related activities to five eGov projects.

**eService Vision and Mission**

To the maximum degree possible, SSA’s eService program must help offset the estimated large and growing gap between the resources needed and the resources available to handle the projected growth in the volume and complexity of workloads. The Agency cannot afford to continue with business as usual as baby boomers join the rolls in the coming years, and doing so will fail to meet the public’s expectations for up-to-date service delivery. The Agency’s eService Vision is “A virtual SSA where the public, businesses, and Government agencies can also conduct all business through secure, electronic channels.” Due to Congress’ deep budget cuts, the Agency cannot fully realize the eService vision for many years. The Vision will, however, provide direction for SSA to guide executive decisions once it is combined with goals and objectives that address all aspects of quality service.

**VIII. Internal Control Environment and Performance Measures (OIG)**

Sound management of public programs includes both effective internal controls and performance measurement. Internal control includes the plans, methods, and procedures used to meet SSA’s goals and objectives. The Office of Management and Budget’s (OMB) Circular No. A-123, Management’s Responsibility for Internal Control, requires the Agency and its managers to take systematic and proactive measures to develop and implement appropriate, cost-effective internal controls for results-oriented management. SSA management is responsible for determining, through performance measurement and systematic analysis, whether the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs achieve their intended objectives.

**Current and Future Actions**

**Audit of SSA’s FY 2007 Financial Statements**

Financial audits determine whether SSA’s financial statements fairly present, in all material respects, the financial position of the Agency. SSA’s financial statements have received its 14<sup>th</sup> straight unqualified opinion with no material auditor reported internal control weaknesses. The audit report can be found in the *Financial Section* of this document.

**Office of the Inspector General**

The Office of Inspector General (OIG) improves SSA programs and operations and protects them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations of the Agency's programs. The OIG provides timely, useful, and reliable information and advice to SSA officials, Congress, and the public. In FY 2007, the OIG completed 105 reviews, began 97 reviews, and supervised the review of 13 performance indicators.

Due to systems limitations, the Agency cannot maintain an entire fiscal year's worth of detail-level data related to several of its performance measures. In addition, SSA believes that the cost for the additional systems storage would outweigh the return on investment. In response to the Agency's systems limitations, OIG agreed to implement a real-time audit approach. This real-time approach is used to audit *Government Performance and Results Act* performance measures that use data from systems that do not have an entire fiscal year's worth of data. The results for these six audits will be reported in the *FY 2008 Performance and Accountability Report*. Refer to page 18 for the results from the real-time audits of the nine performance measures reported in FY 2006.

**IX. Systems Security and Critical Infrastructure Protection (OIG)  
X. Information Security (GAO)**

SSA's information security challenge is to understand and mitigate system vulnerabilities to ensure that its systems remain secure. Weaknesses in controls over access to its electronic information, technical security configuration standards, suitability, and continuity of systems operations have been identified. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure that they do not recur.

Federal information security has been on GAO's list of high-risk areas since 1997. With the enactment of the *Federal Information Security Management Act of 2002*, Congress continued its work to improve Federal information security by permanently authorizing and strengthening key information security requirements. Federal agencies have been issued guidance on appropriate measures to protect sensitive information.

**Current and Future Actions**

**Federal Information Security Management Act of 2002**

The *Federal Information Security Management Act* (FISMA) is an Information Technology (IT) Security framework for all Federal agencies. Included as Part III of the *eGov Act of 2002*, FISMA requires all Federal agencies to submit a report to the Office of Management and Budget (OMB) by October 1st of each year. The report summarizes the results of annual IT security reviews of systems and programs, agency progress on correcting identified weaknesses, and the results of other work performed during the reporting period using OMB's performance measures to assess and report the status of agency IT security programs.

SSA ranked fifth among Federal agencies for the FY 2006 FISMA review with a score of "A." The scoring highlights Agency progress and is tabulated by OMB after reviewing all Federal agency FISMA reports. For the second year in a row, SSA was the only Federal agency to receive an "Excellent" rating for its Certification and Accreditation process, both of which are mandated by FISMA.

SSA provides mandatory IT security awareness training each year to all Agency employees. Training is conducted via onsite training presentations, component awareness sessions, and is also available on the Agency's website.

**Standardized Security Profile Project**

The Standardized Security Profile Project was developed to verify SSA employee profile access to ensure "least privileged" and "need to know" rules are met. The Standardized Security Profile Project places all employee access to systems and data into standardized profiles and institutes a policy of "least privileged" access. Profiles are a way of grouping access needed by more than one individual. Profiles become standardized when the access given by the profile has been tested and approved as being the least necessary access needed by individuals having that profile to do their job.

**Personally Identifiable Information**

The collection and maintenance of personally identifiable information (PII) is essential to Social Security's mission and SSA takes its obligation to safeguard that information very seriously. In 1939, Congress enacted Section 1106 of the *Social Security Act* requiring that SSA maintain the confidentiality of PII. No disclosure shall be made of any file, record, report, paper, or other information obtained at any time by the Commissioner of SSA or by any officer or employee of SSA in the course of discharging the duties of the Commissioner except as provided by SSA regulations or by Federal law.

Social Security's IT security program includes protection of PII. Further, the Agency holds each employee responsible for safeguarding the PII with which they work and on an annual basis, reminds all employees of this responsibility. In addition to these Agency-level efforts, the components within the Agency proactively re-enforce the importance of protecting PII.

**Common Identification for Federal Employees and Contractors**

Homeland Security Presidential Directive 12, dated August 27, 2004, entitled "Policy for a Common Identification Standard for Federal Employees and Contractors," created a Federal standard for secure and reliable forms of identification for Federal employees and contractors. The new identification standards are different from the existing SSA identification badges. SSA has already begun issuing the new identification badges. The Agency expects all employees to have the new badges no later than September 30, 2008.

**XI. Human Capital (GAO)**

GAO first added strategic human capital management as a Government-wide high-risk area in 2001 because Federal agencies lacked a strategic approach to human capital management and failed to integrate human capital efforts with agency mission and program goals. The area remains high-risk as momentum grows toward making Government-wide changes to agency pay, classification, and performance management systems.

SSA recognizes the need to manage the Agency's human capital efforts in anticipation of these Government-wide changes. A key function is organizing the Agency's intellectual resources and information systems. This is also known as knowledge management. SSA continues to create an environment that fosters effective knowledge management. The Agency's knowledge management strategies include maintenance of web-based materials, process documentation, succession planning, mentoring, filling positions before key vacancies occur, using understudies in targeted critical positions, and strategic placement of rehired annuitants.

**Current and Future Actions**

**Recruitment**

Although SSA is working more efficiently than in the past, higher productivity and improved processes are not enough. SSA needs to increase the number of Agency employees to keep up with increasing workloads and eliminate the current disability hearings backlogs.

In September 2006, the number of SSA's workforce was approximately 63,000. By September of 2007, the Agency's workforce had dropped to approximately 61,600 – the lowest since 1972, before the Supplemental Security Income program began. The loss of experienced employees and their extensive institutional knowledge is worsened by overall Agency resource constraints that have limited the ability of the Agency to hire new employees. Consequently, the Agency's staffing level is projected to further decrease to approximately 59,000 employees by September 2008.

SSA's National Recruitment Strategy is an effective mechanism for hiring talented individuals to the extent that the budget allows it to be used. SSA's recruitment cadre, marketing materials, and unique brand have made SSA a leader in recruitment initiatives across the Government. SSA's hiring process is strategically managed to ensure timely selections and has expanded the use of structured interviewing in order to select the best possible job candidate.

**Diversity**

SSA successfully maintains a high degree of diversity among its employees. Seventy percent of SSA employees are women. Forty-seven percent of the workforce is a member of a minority group, compared to 31.8 percent in the rest of Government and 27.4 percent in the national civilian labor force. SSA's minority representation for all groups exceeds their representation in the national civilian labor force. In addition, Employees with Disabilities had an overall workforce representation in SSA of 7.9 percent compared to a Federal workforce representation rate of 7.0 percent. SSA ranks second highest among Federal agencies with 500 or more employees in the percentage of individuals with targeted disabilities.

**Competency Development and Training**

SSA has developed and implemented a process to identify, assess, and address competencies in its mission-critical positions. In FY 2007, SSA continued to implement a multi-phase plan to ensure that staff in several mission-critical positions are proficient in targeted competencies. SSA uses various methods, including training, recruitment, and hiring, to ensure the workforce has the knowledge, skills, and capabilities necessary. SSA trains employees in over 1,500 locations through a combination of traditional training methods, interactive video training and computer-based training via the Intranet and Internet.

**Employee Outreach**

SSA employees have electronic access to information about personnel benefits and employee services. In FY 2007, SSA conducted seminars on pre-retirement planning, financial literacy, and mid-career planning. The Agency also successfully implemented several outreach initiatives, such as open season fairs, to help employees take full advantage of available programs, including health benefits and flexible spending accounts.

**Leadership and Succession Planning**

SSA's leadership and succession planning programs continuously transform to meet the Agency's current and future workforce needs. In FY 2007, SSA released its Strategic Leadership Succession Plan, a blueprint for how SSA will maintain an adequate leadership cadre and talent pool. This plan addresses the Agency's current and future leadership needs, strategic goals, and specific strategies towards achieving those goals.

The Agency is investing resources in developing leaders who will positively influence organizational performance and workforce satisfaction. In FY 2007, SSA conducted two national leadership development programs that foster leadership competency development through assignments, training, mentoring, and exposure to key Agency executives. Eighty participants were selected for the Advanced Leadership Program for GS-13 and GS-14 employees. Thirty-one employees participated in the Senior Executive Service Candidate Development Program. SSA also implemented various regional and component-level development programs and participated in the Office of Personnel Management's Presidential Management Fellows program and other interagency development programs.

SSA is making significant gains in enhancing the skills of its new and mid-level managers. The Agency has arranged five separate introductory leadership courses for over 500 managers this year. In an effort to further strengthen the competencies of Agency managers, SSA continued its new Leadership Symposiums that develop the knowledge and skills of GS-14 and GS-15 mid-level managers. In FY 2007, approximately 900 mid-level managers attended symposiums in six Regions.

**Leveraging Technology**

SSA continues to develop efficient and user-friendly tools to enable employees to accomplish their tasks and better serve the public. Employees have online access to personnel, payroll, and training data. SSA also uses video conferencing and automated case processing systems to increase productivity. The workforce has steadily become more proficient in the use and application of technology resulting in greater efficiency and quality customer service.

**Performance Culture**

The alignment of employee performance with the Agency mission and strategic goals is an ongoing priority. In October 2006, SSA implemented a new multi-level performance appraisal program for all employees at the GS-14 level and below and for GS-15 bargaining unit employees. The program fosters communication between managers and employees and allows for distinctions in individual performance.

The Agency plans to further support successful implementation of the new performance appraisal system through both evaluation and ongoing refresher training for supervisors.

**Retention**

In FY 2007, SSA was identified by the Partnership for Public Service as one of the top ten Best Places to Work in the Federal government, ranking 7th amongst all Government agencies – a significant improvement from its ranking of 21st in FY 2005. SSA was the most improved of all large Federal agencies. Additionally, SSA has maintained a score of “Green” in both status and progress on the President’s Management Agenda scorecard demonstrating continuous accomplishments in the Agency’s strategic approach to workforce planning and its implementation of effective human capital initiatives.

The Agency is continuously improving its human capital practices to retain talented managers and employees in its workforce. SSA’s structured orientation and training programs facilitate employee engagement and welcome new employees. Expanded family-friendly services help employees balance work and family matters. As a result, SSA’s retention rate is currently one of the best in the Federal government. For FY 2006, the Agency’s overall retention rate was 93.3 percent, as compared to 91.8 percent Government-wide. Refer to performance measure 4.1c on page 89 of the *Performance Section* for more information about SSA’s strategy regarding future workforce needs.

## THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is the President's strategy for improving the management and performance of the Federal government with a focus on results. The Agenda contains five Government-wide initiatives in addition to agency specific program initiatives. SSA is involved in the PMA program initiative, Eliminating Improper Payments. Each quarter, the Office of Management and Budget releases a scorecard that rates agencies' progress and overall status on the PMA goals. The scorecard uses a color-coded grading scale: ●Green for success, ●Yellow for mixed results, and ●Red for unsatisfactory.

A summary of SSA's FY 2007 Fourth Quarter Scorecard is provided below. For more information on the PMA and the Agency's complete scorecard, please go to: [www.whitehouse.gov/results/agenda](http://www.whitehouse.gov/results/agenda) or refer to performance measure 2.4f on page 84 of the *Performance Section*.

● Progress	<b>Strategic Management of Human Capital</b>	Status ●
Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives and goals.		
● Progress	<b>Competitive Sourcing</b>	Status ●
Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions.		
● Progress	<b>Performance Improvement Initiative<sup>1</sup></b>	Status ●
Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.		
● Progress	<b>Expanded Electronic Government</b>	Status ●
Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation) so that Americans can receive high-quality government service.		
● Progress	<b>Improved Financial Performance</b>	Status ●
Maintain world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people		
● Progress	<b>Eliminating Improper Payments</b>	Status ●
Measure improper payments on an annual basis, develop improvement targets and corrective actions, and track results annually to ensure corrective actions are effective.		

<sup>1</sup> Effective July 1, 2007, the name of this initiative was changed from *Budget and Performance Integration* to the *Performance Improvement Initiative*.



## PROGRAM ASSESSMENT RATING TOOL

The Office of Management and Budget uses the Program Assessment Rating Tool (PART) to evaluate programs across a set of performance-related criteria including program design, strategic planning, program management, and results. Programs are assessed and assigned numeric scores which correspond to the ratings of Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated. PART scores and findings are used to inform the budget process and drive improvements. For more information on the PART, please see: <http://www.whitehouse.gov/omb/expectmore/>.

The SSA programs that have been evaluated and corresponding assessment ratings have been documented in the chart below. The assessment rating is determined by scoring four sections of each program. The individual scores for each section of the Agency's programs are also documented in the chart below.

SSA's PART Assessment Ratings and Scores (2003 - 2007)	
Program Name	Assessment Rating and Scores
<b>Supplemental Security Income</b>	<b>Moderately Effective</b>
Program Purpose and Design	60%
Strategic Planning	100%
Program Management	100%
Program Results/Accountability	58%
<b>Old-Age and Survivors Insurance</b>	<b>Moderately Effective</b>
Program Purpose and Design	80%
Strategic Planning	100%
Program Management	100%
Program Results/Accountability	75%
<b>Disability Insurance</b>	<b>Moderately Effective</b>
Program Purpose and Design	60%
Strategic Planning	88%
Program Management	100%
Program Results/Accountability	58%

For detailed information on the performance measures used to evaluate the effectiveness of SSA's programs, please see the *Agency Performance Summary* charts, beginning on page 49, and pages referenced for each PART performance indicator in the *Performance Section*.

# HIGHLIGHTS OF FINANCIAL POSITION

## OVERVIEW OF FINANCIAL DATA

SSA's financial statements and footnotes appear on pages 103 through 156. The financial statements presented in this report received an unqualified opinion from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the programs administered by SSA. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate funds which are financed by payroll taxes, interest on investments and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury.

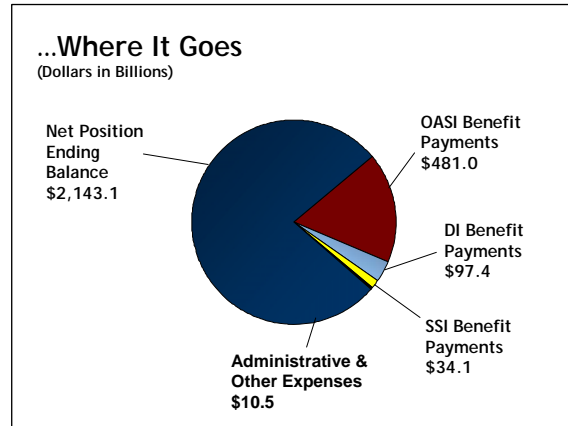
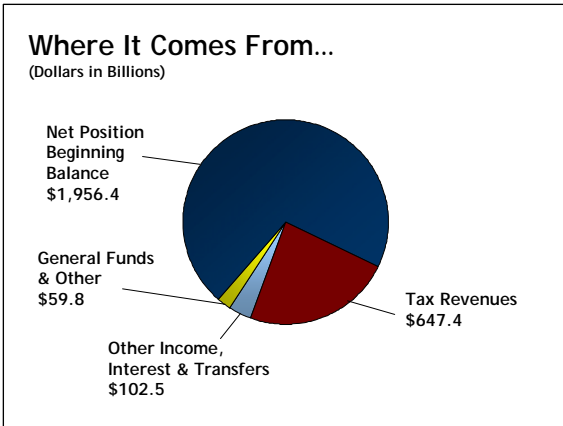
**BALANCE SHEET:** The Balance Sheet displayed on page 104 reflects total assets of \$2,226.3 billion, a 9.4 percent increase over the previous year. Approximately 98.0 percent of assets are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$186.8 billion growth (9.4 percent) in investments from 2006 is primarily due to tax revenues of \$647.4 billion and interest on those investments of \$108.5 billion, exceeding the cost of operations of \$622.8 billion. The majority of our liabilities, 84.0 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2007 by \$4.1 billion (5.2 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$186.6 billion or 9.5 percent to \$2,143.1 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 58.1 percent of the growth of the investments, up from 53.7 percent in 2006.

**STATEMENT OF NET COST:** Net cost of operations increased 5.9 percent or \$34.8 billion from \$588.0 billion in 2006 to \$622.8 billion in 2007. This increase in the net cost of operations is primarily due to the first wave of baby boomers attaining retirement age. Of this increase, \$34.9 billion (6.0 percent growth) resulted from increased benefit payments and \$92.0 million (0.9 percent decline) resulted from decreased operating expenses. The net cost and benefit payments of the OASI program both grew 6.5 percent, while operating expenses grew by 0.5 percent. The number of OASI beneficiaries grew 1.1 percent to 40.9 million while average benefit payments grew by 4.4 percent to \$990 per month. The net cost and benefit payments of the DI program grew 6.9 percent and 7.1 percent, respectively. Operating expenses decreased by 0.5 percent. The number of DI beneficiaries grew by 3.1 percent while average benefits increased 4.2 percent to \$839 per month.

The net cost and benefit payments of the SSI program decreased 2.9 percent and 3.1 percent, respectively. The decrease is primarily due to SSI having 12 months of benefit payment activity in FY 2006, versus 11 months of activity in FY 2007. There were only 11 months of activity in FY 2007 because October 1, 2006 was on a Sunday so the benefit payment for October was accelerated into September 2006. Operating expenses decreased by 1.0 percent. The number of SSI beneficiaries grew by 1.8 percent while maximum benefits increased by 3.3 percent to \$623 per month. The operating expenses of the Other program, which consists primarily of administrative expenses charged to the Health Insurance and Supplemental Medical Insurance Trust Funds, grew by 3.7 percent.

**STATEMENT OF CHANGES IN NET POSITION:** The Statement of Changes in Net Position reflects an increase of \$186.6 billion in the net position of SSA. This increase is primarily attributable to a \$186.8 billion increase in investments. At this time tax revenues continue to exceed benefit payments. The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2007 and how these funds were used. These statements are displayed on pages 105 and 106, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses, as a percent of

benefit expenses, is 1.7 percent. In 2007, total financing sources grew by \$37.4 billion or 4.8 percent from \$772.0 billion in 2006 to \$809.4 billion in 2007. The primary sources for this growth were a payroll and income tax revenue increase of \$27.4 billion (4.4 percent) from 2006 due to a continuing improvement in the United States' economy and investment income of \$8.6 billion (8.6 percent) from 2006. The growth in investment income was due to increasing assets of the combined OASI and DI Trust Funds and an increase in the average interest yield from 6.43 percent to 6.59 percent.

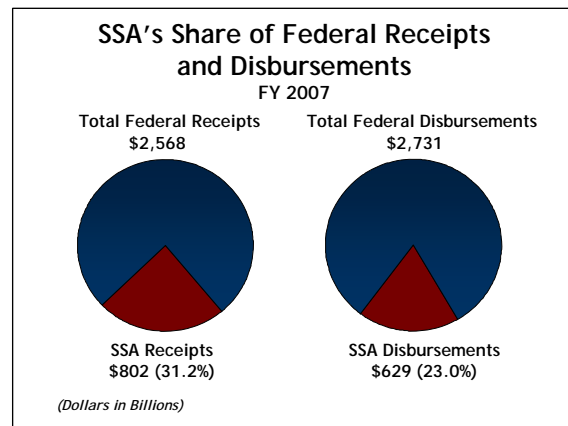


**STATEMENT OF BUDGETARY RESOURCES:** This statement displayed on page 107 shows that SSA had \$665.0 billion in budgetary resources of which \$3.1 billion remained unobligated at year-end. SSA recorded total net outlays of \$621.8 billion by the end of the year. Budgetary resources grew \$34.0 billion, or 5.4 percent from 2006, while net outlays increased \$36.3 billion, or 6.2 percent.

**STATEMENT OF SOCIAL INSURANCE:** Effective for FY 2006 and thereafter, Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals and the difference between the income and cost. The Statement of Social Insurance displayed on page 108 for the Social Security program covers a period of 75 years in the future and the information and disclosures presented are deemed essential to fair presentation of our financial information.

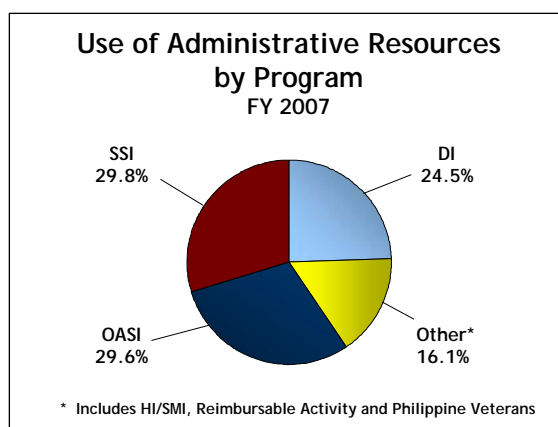
**SSA'S SHARE OF FEDERAL OPERATIONS**

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 31.2 percent of the \$2.6 trillion in total Federal receipts, a decrease of 1.1 percent over last year as Federal income tax collections grew more rapidly than payroll taxes. Disbursements increased by 0.6 percent to 23.0 percent of Federal disbursements.



### USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2007 in terms of the programs SSA administers or supports. Although the DI program comprises only 15.9 percent of the total benefit payments made by SSA, it consumes 24.5 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.6 percent of the total benefit payments made by SSA, it consumes 29.8 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2006 use of administrative resources by program was 29.2 percent for the OASI program, 24.4 percent for the DI program, 29.8 percent for the SSI program and 16.6 percent for Other.



## OASI AND DI TRUST FUND SOLVENCY

### PAY-AS-YOU-GO FINANCING

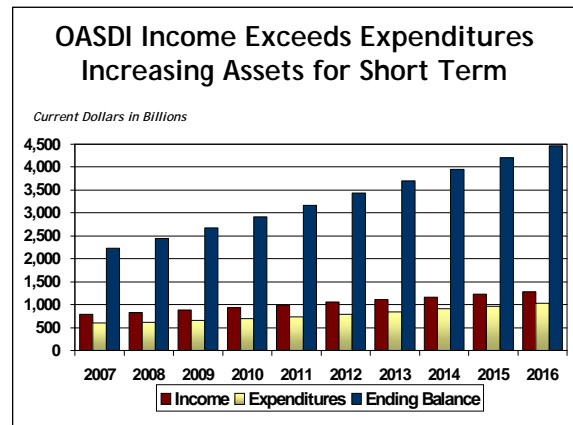
The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance has grown from 35.9 months at the end of FY 2003 to an estimated 42.8 months at the end of FY 2007, an increase of 19 percent.

Number of Months of Expenditures Fiscal-Year-End Assets Can Pay <sup>1</sup>					
	2003	2004	2005	2006	2007
OASI	37.8	39.9	42.6	44.4	46.8
DI	26.2	25.4	25.0	24.2	23.7
Combined	35.9	37.5	39.6	40.9	42.8

<sup>1</sup> Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.  
 Note: Values for 2006 and 2007 are estimates that are based on 2007 Trustees Report intermediate assumptions.

**SHORT TERM FINANCING**

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2007 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2007 Trustees Report, OASDI estimated expenditures and income for 2016 are 86 percent and 72 percent higher than the corresponding amounts in 2006 (\$555 billion and \$745 billion, respectively). From the end of 2006 to the end of 2016, assets are expected to grow by 118 percent, from \$2.0 trillion to \$4.5 trillion.



**LONG TERM FINANCING**

Social Security’s financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2017, program cost will exceed tax revenues, and, in 2041, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security’s Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75 year shortfall is \$4.7 trillion, which is 1.8 percent of taxable payroll and about 0.7 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed – singularly or in combination with each other – are (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 141 through 156 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

**LIMITATION ON FINANCIAL STATEMENTS**

The principal financial statements beginning on page 104 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of SSA in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

# SYSTEMS AND CONTROLS

## MANAGEMENT ASSURANCES

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT FISCAL YEAR 2007

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular A-127, Financial Management Systems. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2007.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2007.



Michael J. Astrue  
November 7, 2007

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

SSA has a well established Agency-wide management control and financial management systems program as required by FMFIA. The Agency accomplishes the objectives of the program by:

- Integrating management controls into its business processes and financial management systems at all organizational levels;
- Reviewing its management controls and financial management systems controls on a regularly recurring basis; and,
- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

SSA has no FMFIA material weaknesses to report this year. Agency managers are responsible for ensuring that effective controls are implemented in their areas of responsibilities. SSA senior level executives are required to submit to the Commissioner of Social Security an annual assurance statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require being reported, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

The Agency's Executive Internal Control (EIC) committee, consisting of senior managers and chaired by the Deputy Commissioner of Social Security, ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the Agency, the EIC determines if the weakness should be considered a material weakness and thus submitted to the Agency head for final determination.

Effective internal controls are incorporated into the Agency's business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events, debt management and SSA's financial management systems. SSA develops and implements corrective action plans for weaknesses found through the reviews and audits and tracks the corrective actions until the weaknesses are corrected.

#### **MANAGEMENT CONTROL REVIEW PROGRAM**

SSA has an Agency-wide review program for management controls in its administrative and programmatic processes. Locations chosen for review are selected by considering performance measures in selected critical processes and by using the experience and judgment of the regional security personnel. During FY 2007, SSA personnel and contractor conducted reviews at 215 Field Offices, 6 Program Service Centers (PSC) and 28 Hearings offices.

SSA continues to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). The DDSs perform annual security self-reviews using the guidelines and a review checklist. Additionally, SSA's Regional Offices (RO) and contractor perform independent security reviews of the DDSs using this same review checklist. The ROs develop a 5-year review plan in which each State DDS is reviewed at least once to ensure adherence to SSA's policies. During FY 2007, SSA and the contractor conducted reviews of 25 DDS sites.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. Annually, the contractor reviews operations at SSA's central office, and selected ROs, PSCs, and DDS's. The contractor's efforts have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements.

### **FINANCIAL MANAGEMENT SYSTEMS (FMS) REVIEW PROGRAM**

OMB Circular A-127 requires agencies to maintain an FMS inventory and to conduct reviews to ensure FMS requirements are met. In addition to pure financial systems, SSA also includes all major programmatic systems in this FMS inventory. Within a 5-year period, SSA conducts both a detailed review and a limited review of each system. An independent contractor conducts the detailed review at audit level standards including transaction testing and the system manager conducts the limited review.

During FY 2007, SSA's contractor conducted a detailed review of SSA's Title 2 Redesign System and performed a risk and vulnerability assessment of SSA's National Computer Center. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations or Federal standards.

### **FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT**

The Commissioner has determined that SSA's financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* (FFMIA) for FY 2007. In making this determination, he considered all the information available, including the auditor's opinion on the Agency's FY 2007 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. He also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor.

## **FINANCIAL STATEMENT AUDIT**

The Office of the Inspector General (OIG) contracted for the audit of SSA's FY 2007 financial statements. The auditor found that the basic financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The auditor also found that management fairly stated that SSA's internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations or other matters.

## **FEDERAL INFORMATION SECURITY MANAGEMENT ACT**

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual self-assessment review of their Major Information Technology Systems Security Testing and Controls (ST&E) program, to develop and implement corrective actions for identified security weaknesses and vulnerabilities, and to report to OMB on the Agency's compliance. An independent contractor's evaluation indicated that SSA's controls methodology was consistent with established FISMA requirements. SSA's OIG also performed an independent review of SSA's compliance with FISMA and concluded that SSA had complied with FISMA requirements. SSA submitted its annual FISMA report to OMB on October 1, 2007.



## **FINANCIAL MANAGEMENT**

### **(Section 52.4(a), OMB Circular A-11)**

#### **GOALS AND STRATEGIES**

The President's Management Agenda (PMA) is a coordinated strategy to reform Federal management and improve program performance. The PMA outlines five government-wide and nine agency specific areas that need to be revamped to better serve the American people. OMB issued scorecard standards for success for each of the PMA initiatives. Information on the PMA and the scoring criteria may be found at [www.results.gov](http://www.results.gov).

One of the five government-wide targets is to improve financial performance by ensuring that agencies have accurate and timely financial information to manage cost and inform decision-making. Over the years, SSA has worked hard to improve its financial management. SSA attained a status score of "green" for the Improved Financial Performance PMA initiative as of the third quarter of 2003. SSA's achievement of "green" status was the culmination of efforts over more than a decade in implementing sound financial management practices. SSA has maintained its "green" status by continuing to receive an unqualified opinion on its financial statements with no material weaknesses cited by the auditors; having financial systems compliant with Federal law; and demonstrating to OMB that SSA uses accurate and timely information to manage the Agency. SSA continues to get beyond green by developing new initiatives that will enhance the existing financial and management information systems. These actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. The Agency's goal is to maintain the "green" status and to achieve the milestones established for improvement.

#### **FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK**

SSA's FMS inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. SSA maintains an inventory of twelve FMS that are categorized under the broad categories of Program Benefits, Debt Management, or Financial/Administrative.

SSA continues the long-term development of its FMS following a defined strategy. In the Program Benefits category, SSA is continuously involved in streamlining the systems and incorporating new legislative requirements. In the Financial/Administrative category, Social Security Online Accounting and Reporting System (SSOARS), a federally certified accounting system based on Oracle Federal Financials, was implemented as SSA's System of Record on October 1, 2003. Throughout FY 2007, SSA continued to exercise the Commercial Off-the-Shelf technology available in this software to integrate agency financial systems that traditionally integrate with SSOARS by providing real-time access to validate accounting information and fund availability. SSA contracted out some of the day-to-day maintenance of the system to Oracle on Demand, which is considered to be a first step in meeting the Financial Management Lines of Business requirements by OMB.

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**PERFORMANCE  
SECTION**



# EXECUTIVE SUMMARY OF AGENCY PERFORMANCE

## INTRODUCTION

The Agency is facing significant challenges in maintaining the level of service the American public deserves. For more than half a century, Social Security has been paying benefits to workers and their families, but today the Agency faces some of its most daunting tests as the baby boomers age and approach their disability-prone years.

To meet those challenges, the Social Security Administration's (SSA) new Commissioner, Michael J. Astrue, redirected the Agency's priorities. Under the Commissioner's leadership, this Agency realized numerous accomplishments not only under the *Agency Strategic Plan* for FY 2006 – FY 2011, but also in furthering initiatives established by the new Commissioner. In addition, Mr. Astrue has established several new priorities to address challenges the Agency will be facing over the next several years. These priorities include reducing the hearings backlogs, improving the disability determination process, and increasing efficiency through technology.

This *Performance and Accountability Report* (PAR) reflects the goals of the *Agency Strategic Plan* for FY 2006 – FY 2011, which was developed before Commissioner Astrue became Commissioner, and focuses on SSA's many accomplishments and challenges from FY 2007. As this PAR reflects, the Agency met or exceeded most of its goals for this year. Indeed, with the establishment and implementation of the new Commissioner's priorities, the Agency has gone well beyond the accomplishments under the present strategic plan in order to serve the American people. Challenges nevertheless remain, especially in timely processing of disability claims and addressing record level backlogs at the claims hearings level.

The Agency therefore will not waver in developing and implementing forward-thinking and innovative initiatives to combat the growing challenges it faces. SSA is developing a new *Agency Strategic Plan* for FY 2008 – FY 2013. This strategic plan will be a comprehensive plan of fundamental business process reform to address the Agency's workload and management challenges.

## AGENCY PROGRESS AND INITIATIVES

Today, approximately 163 million workers and over 54 million beneficiaries count on Social Security programs. The baby boomers – the largest generational constituency ever – are beginning to retire. The number of people SSA serves has increased by more than 12 percent during this decade.

In addition to the demands of the baby boomers, increases in the nation's population and expansions in program entitlements have contributed to the growth in Agency workloads. In 1978, SSA had over 85,600 employees to provide services; while in FY 2007 SSA had 62,000. Since 2001, SSA has improved productivity on average by about two percent. However even with these productivity enhancements and improved processes, the Agency is struggling to eliminate backlogs and keep up with these increasing workloads. Now more than ever the Agency needs to embrace new methods and technologies to combat the rising workloads and growing backlogs.

While addressing these core workloads, SSA also has had to take on complex new responsibilities in Medicare, immigration, homeland security, and other areas while facing overall Agency resource constraints. Since 2001, Congress has appropriated on average \$150 million less each year than the President has requested. As a result of reduced funding and increased workloads, the Agency has been struggling to balance its new responsibilities and its traditional work. The impact of this situation has adversely affected disability applicants who must wait anywhere

from 17 months to 3 years in some cases to receive a hearing decision. Despite daunting demographic changes and new Agency responsibilities, SSA is known for its can-do attitude and is respected for its management of programs that pay out over \$650 billion per year in benefit payments.

As the performance section reflects, SSA met or exceeded many of its goals for this year. In Fiscal Year 2007, the Agency:

- Served 163 million workers and over 54 million beneficiaries.
- Processed over 2.5 million initial disability claims.
- Decreased average processing time for initial disability cases from 88 days in 2006 to 83 days in 2007.
- Processed over 3 million retirement claims.
- Completed over one million non-disability redeterminations.

Although the Agency was able to meet or exceed some performance goals, other workloads suffered due to limited resources. SSA was unable to meet performance goals for the number of hearings pending, the number of hearings processed, and case production per workyear, among others.

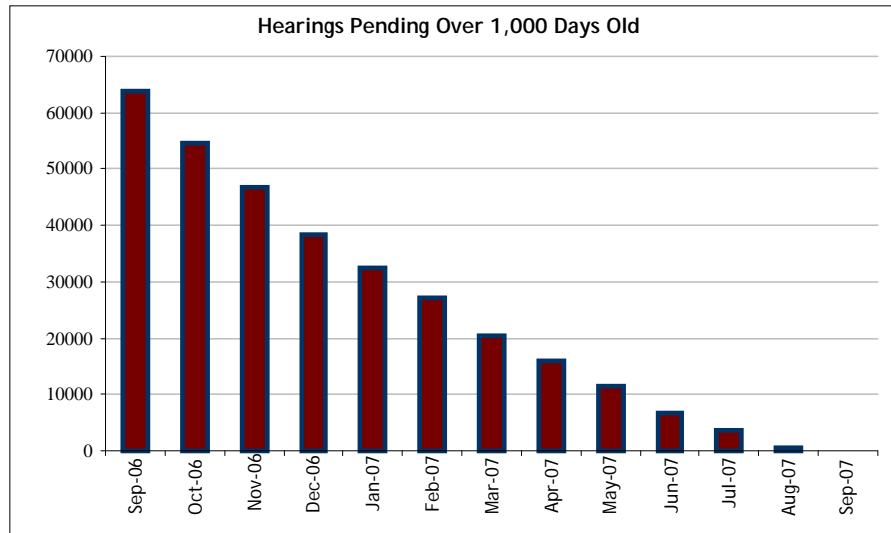
To enhance SSA's performance, a concerted and renewed effort has been made to improve the disability determination process. The Disability Service Improvement Initiative (DSI) was rolled out in 2006 with the expectation that the changes under this initiative would improve the accuracy, consistency, and timeliness of decision-making throughout the disability determination process. Ongoing analysis of this initiative has led SSA to propose the expansion of some aspects of DSI while continuing to modify and evaluate other aspects of the initiative.

The quick disability determination (QDD) process from DSI has been successful, and the Agency is rolling it out nationally. QDD uses automated tools to screen cases and allows SSA to fast-track cases that are most likely to be allowed. To date, 97 percent of cases in the Boston Region, processed under QDD, were decided within 21 days with an average decision time of 11 days. Eighty-five percent of these cases were allowed at the initial review. On September 6, 2007, the Agency issued a final rule to rollout QDD nationwide.

On the other hand, the Agency's experience over the past year demonstrates the administrative costs of two DSI components, the Federal Reviewing Official and the Office of Medical and Vocational Expertise, are far greater over the foreseeable future than anticipated. The Agency does not yet have sufficient results to fully evaluate the potential improvements in program efficacy that are the goals of the Federal Reviewing Official and the Office of Medical and Vocational Expertise. Therefore, the Agency has proposed to suspend those processes so that the Agency may redirect resources to address the backlog of hearings requests. SSA will, however, continue to collect data from these processes to assess future alternatives.

A key feature of the Federal Reviewing Official process is to provide a better developed and organized file for hearing level review. SSA has determined that this process would be better applied to initial determinations rather than later in the disability process. As a result, the Agency is developing an electronic case analysis tool, or e-CAT, to guide disability examiners through all aspects of their case determinations.

Improvements in the disability determination process include improvements to the hearings process. Disability hearings have been a growing workload for SSA. Eliminating the hearings backlog is a moral imperative for the Agency. SSA does not anticipate eliminating this backlog until 2013; however, great progress on reducing this workload has already been made. At the beginning of FY 2007 (October 1, 2006), more than 63,000 cases were over 1000 days old. In response to Commissioner Astrue's pledge to Congress and the American public, the Agency concentrated on eliminating pending hearings that would have been 1000 days old by the end of the year. SSA has accomplished this challenging goal and is continuing its efforts to eliminate the remaining backlogs.



There are four areas which hold the most promise for eliminating the remaining hearings backlog:

1. Accelerating the review of cases likely or certain to be approved;
2. Improving hearing procedures;
3. Increasing adjudicatory capacity to schedule and hold more hearings; and
4. Increasing efficiency through automation and improved business processes.

The success of these initiatives depends on timely and adequate Agency funding. Properly funded, these initiatives will reduce the amount of time members of the public wait for a hearing decision and will lead to a reduction in the number of cases pending in SSA offices. While SSA focuses on the hearings backlog, its capacity for handling and meeting its other workloads and responsibilities must not be weakened.

SSA has had to scale back the Agency’s program integrity workloads due to budget constraints over the last several years. SSA’s FY 2008 budget request, however, included dedicated program integrity workload funding. Program integrity workloads are important because they ensure that people who have been approved for benefits continue to be eligible for these benefits and are being paid the correct amount. These workloads are important to the Agency’s stewardship efforts that protect the integrity of the Social Security Trust Funds and ensure the taxpayer’s money is properly used.

Two of the most cost effective program integrity workloads are Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. CDRs are periodic reevaluations of medical eligibility for SSI and disability benefits. CDRs are estimated to save \$10 for every \$1 spent. SSI redeterminations are periodic reviews of non-medical SSI eligibility requirements. Both CDRs and SSI redeterminations are extremely cost-effective. The Agency’s Cooperative Disability Investigation (CDI) project continues to be one of the most successful program integrity initiatives implemented. CDI teams are charged with obtaining sufficient evidence to identify and resolve issues of fraud and abuse related to all disability claims and benefits.

SSA is recognized by the government sector and private sector as an information technology leader. Increased investment in information technology is imperative if the Agency is going to survive escalating workloads and insufficient resources. Improving automation initiatives is the Agency’s primary course for continuing and improving service while enhancing productivity. Transforming the information technology environment will be costly, but the price of not investing in these changes will be more costly to the Agency and the public it serves. Seeing increasing public demand for services available via the Internet, SSA developed the Internet Social Security Benefit Application (ISBA). This online service allows the public to apply for retirement, spouses, and disability benefits via the internet. SSA is planning several enhancements to the ISBA applications. Enhancements include

usability improvements, additional automated customer support, and the ability for third parties to begin the filing process and protect claimants' filing dates.

A number of other electronic initiatives are being developed. SSA is modernizing and streamlining core business processes such as assigning Social Security numbers, reporting earnings, and applying for benefits by updating the older software applications for higher performance and availability. Other initiatives include an enhanced online retirement estimator, electronic representative payee accounting, electronic verification of vital events, and third party bulk claims filing.

## CONCLUSION

SSA is striving toward closing the gap between reduced budget appropriations and increasing workloads. SSA is also working more efficiently, increasing productivity, and improving workload processes. As an Agency, SSA takes pride in making efficient use of its administrative resources. The Agency's administrative expenses are less than 2% of its operating budget. SSA's cost-conscious attitude is also reflected in its performance goal of annual productivity improvements, its program management initiatives in furtherance of the President's Management Agenda, and its dedication to maintaining program integrity.

The Agency has worked effectively and efficiently to meet most of its performance targets in Fiscal Year 2007, despite the budget shortfalls and diminishing resources. Fiscal Year 2008 will be another tight year for the Agency. However, the Agency is exploring new strategies and technologies to address workload and management challenges to provide the service the American public deserves and ensure the integrity of Social Security programs. Nevertheless, sufficient resources will be absolutely critical to the Agency's success future.

# AGENCY PERFORMANCE

## SUMMARY OF FY 2007 PERFORMANCE

The following data summarize the Social Security Administration’s (SSA) achievements toward reaching its targets for the performance measures specified in its *Annual Performance Plan for FY 2008 and Revised Final Plan for FY 2007*. Where end-of-year data are not available, year-to-date performance is shown along with an indication of when the final data will be available. For these measures, the end-of-year data will be provided in the *FY 2008 Performance and Accountability Report (PAR)*. Similarly, for those measures where year-to-date data were provided in the last PAR, final data are displayed in the “trend” section of the particular measure. For milestones and new performance measures, there is a discussion section in place of a chart or trend section.

The performance data presented in this section comply with the guidance provided by the Office of Management and Budget (OMB) Circulars A-11 and A-136. The *Data Quality* discussion in the *Overview of Key Performance Indicators, Goals and Results* section (page 16) describes SSA’s continuing efforts to enhance the quality and timeliness of its performance information in order to increase its value to SSA’s management and other interested parties. Agency managers routinely use this performance data to improve the quality of program management and to demonstrate accountability in achieving program results.

## STATUS OF FY 2007 PERFORMANCE MEASURES BY GOAL AND OBJECTIVE

The *Performance Section* details the specific expectations for SSA’s achievements and documents the Agency’s performance and accomplishments from FY 2003 through FY 2007. It also provides detailed discussions of FY 2007 actions, which enabled SSA to attain its goals, as well as the rationale, where appropriate, for why SSA did not meet its established targets.

The following tables provide an overview of SSA’s performance measures. The measures are organized by the goals and objectives they support as specified in SSA’s *Strategic Plan for FY 2006 - FY 2011* and published in the *Annual Performance Plan for FY 2008 and Revised Final Plan for FY 2007*.

### Key

Target Achieved      ↑

Target Not Achieve      ↓

**KPI** – Denotes each of the Agency’s 16 Key Performance Indicators (KPI)

**PART** – Denotes each of the Agency’s 15<sup>1</sup> Program Assessment Rating Tool (PART) performance measures which are also *Government Performance Results Act (GPRA)* performance measures.

<sup>1</sup> Performance measures 2.1c -*Percent of SSI payments free of overpayments (O/P) and underpayments (U/P)* and 2.1e – *Percent of Old-Age, Survivors and Disability payments free of O/P and U/P* each represent two PART measures – one for overpayments and one for underpayments.



## Agency Performance Summary

Strategic Goal 1: <i>To deliver high quality, citizen-centered service</i>					
Strategic Objective 1.1: <i>Make the right decision in the disability process as early as possible</i>					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
<b>1.1a</b> <b>KPI</b>	Percent of initial disability claims receipts processed up to the budgeted level	100% <sup>1</sup>	100% <sup>2</sup>	↑	54
<b>1.1b</b> <b>KPI</b>	Maintain the number of initial disability claims pending in the Disability Determination Services (DDS) (at/below the FY 2007 goal)	577,000	555,317	↑	55
<b>1.1c</b> <b>KPI</b>	Number of SSA hearings processed	555,000 <sup>3</sup>	547,951	↓	55
<b>1.1d</b> <b>KPI</b>	Maintain the number of SSA hearings pending (at/below FY 2007 goal)	738,000	746,744	↓	56
<b>1.1e</b> <b>KPI</b> <b>PART</b>	Average processing time for initial disability claims	88 days	83 days	↑	57
<b>1.1f</b> <b>KPI</b> <b>PART</b>	Average processing time for SSA hearings	524 days	512 days	↑	58
<b>1.1g</b>	Average processing time for hearings appeals	242 days	227 days	↑	59
<b>1.1h</b> <b>PART</b>	Disability Determination Services (DDS) net accuracy rate (allowances and denials combined)	97%	97% (thru June 2007)	↑	59
<b>1.1i</b>	Agency decisional accuracy rate (ADA)	97%	97% (thru June 2007)	↑	61

<sup>1</sup> The budgeted level for FY 2007 was 2,530,000.

<sup>2</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

<sup>3</sup> Final FY 2007 appropriations decisions for the Agency restored sufficient resources to the Agency's FY 2007 budget to allow processing of 14,000 additional SSA hearings. The appropriations change requires an adjustment to the projected workloads for FY 2007 compared to those shown in the FY 2007 column of the FY 2008 President's Budget and the Congressional Justification for the Agency's budget. This number has been modified to reflect this action.

Strategic Objective 1.2: Increase employment for people with disabilities by expanding opportunities					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
1.2a PART	Number of DI and SSI beneficiaries, with tickets assigned, who work	44,611 (80% above CY 2004 baseline)	Data available July 2008	TBD	62
1.2b	Number of SSI disabled beneficiaries earning at least \$100 per month	261,560 (10% over baseline)	259,701	↓	63

Strategic Objective 1.3: Improve service through technology, focusing on accuracy, security, and efficiency					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
1.3a PART	Percent of Retirement and Survivors Insurance (RSI) claims receipts processed up to the budgeted level	100% <sup>1</sup>	101% <sup>2</sup>	↑	64
1.3b	Optimize the speed in answering 800-number calls	330 seconds	250 seconds	↑	64
1.3c	Optimize the 800-number busy rate for calls offered to Agents	10%	8% <sup>2</sup>	↑	65
1.3d KPI	Maximize public use of electronic services to conduct business with SSA	2,946,800	2,869,829	↓	66
1.3e KPI	Increase the percent of employee reports (W-2 forms) filed electronically and processed to completion	80%	81% <sup>2</sup>	↑	67
1.3f KPI PART	Percent of individuals who do business with SSA rating the overall service as "excellent," "very good," or "good"	83%	81%	↓	68
1.3g	Improve workload information using <i>Social Security Unified Measurement System</i> (SUMS)	Complete 74% of SUMS projects	74% of SUMS projects completed	↑	69

<sup>1</sup> The budgeted level for FY 2007 was 3,837,000.

<sup>2</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Strategic Goal 2: <i>To protect the integrity of Social Security programs through superior stewardship</i>					
Strategic Objective 2.1: Detect and prevent fraudulent and improper payments and improve debt management					
	Performance Indicator	FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
2.1a KPI	Number of Supplemental Security Income (SSI) non-disability redeterminations processed	1,026,000	1,038,948	↑	70
2.1b KPI	Number of periodic CDRs processed to determine continuing entitlement based on disability	729,000	764,852	↑	71
2.1c PART	Percent of Supplemental Security Income (SSI) payments free of overpayments (O/P) and underpayments (U/P)	95.7% O/P 98.8% U/P	Data available July 2008	TBD	72
2.1d	Percent of outstanding Supplemental Security Income (SSI) debt in a collection arrangement	56%	52% <sup>1</sup>	↓	73
2.1e PART	Percent of Old-Age, Survivors, and Disability Insurance (OASDI) payments free of overpayments (O/P) and underpayments (U/P)	99.8% O/P 99.8% U/P	Data available July 2008	TBD	74
2.1f	Percent of outstanding Old-Age, Survivors and Disability Insurance (OASDI) debt in a collection arrangement	44%	44%	↑	76

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN) issuance process to help prevent misuse and fraud of the SSN and card					
	Performance Indicator	FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
2.2a	Percent of original SSNs issued that are free of critical error	98%	Data available Sept 2008	TBD	77
2.2b KPI	Percent of SSN receipts processed up to the budgeted level	96% <sup>2</sup>	97%	↑	78

Strategic Objective 2.3: Ensure the accuracy of earnings records so that eligible individuals can receive the proper benefits due them					
	Performance Indicator	FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
2.3a PART	Remove 3 percent of the earnings items that remain in the <i>Earnings Suspense File</i> (ESF) for a new tax year and post the earnings to the correct earnings records	3%	1% <sup>1</sup>	↓	79

<sup>1</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

<sup>2</sup> The budgeted level for FY 2007 was 18,000,000. The goal of 96% of the budgeted level was 17,280,000.

Strategic Objective 2.4: Manage Agency finances and assets to link resources effectively to performance outcomes					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
2.4a PART	Continue to achieve 2 percent, on average, annual productivity improvements	2% on average	1.89%	↓	80
2.4b KPI PART	Disability Determination Service (DDS) case production per workyear (PPWY)	252	249 <sup>1</sup>	↓	80
2.4c PART	SSA hearings case production per workyear (PPWY)	106	101 <sup>1</sup>	↓	81
2.4d	Enhance efforts to improve financial performance using <i>Managerial Cost Accountability System</i> (MCAS)	Complete 58% of MCAS projects	29% of the MCAS projects completed	↓	82
2.4e	Receive an unqualified opinion on SSA's financial statements from the auditors	Receive an unqualified opinion	Received an unqualified opinion	↑	83
2.4f KPI	Get to "green" on the <i>President's Management Agenda</i> (PMA) initiatives status scores	Achieve a status score of "green" on five of five PMA initiatives	Achieved a status score of "green" on four of five PMA initiatives	↓	84

Strategic Goal 3: To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations					
Strategic Objective 3.1: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
3.1a KPI	Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	↑	85
3.1b PART	Issue annual SSA-initiated <i>Social Security Statements</i> to eligible individuals age 25 and older	100%	100%	↑	86

<sup>1</sup> The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Strategic Goal 4: <i>To strategically manage and align staff to support the mission of the Agency</i>					
Strategic Objective 4: Recruit, develop, and retain a high-performing workforce					
Performance Indicator		FY 2007 Goal	FY 2007 Actual	Goal Achieved?	See Page #
4.1a KPI	Minimize skill and knowledge gaps in mission-critical positions	Identify skill and competency gaps and develop an implementation plan for addressing gaps in mission critical occupations - Actuaries and Economists	Completed	↑	87
4.1b	Align employee performance with Agency mission and strategic goals	Implement the <i>Performance Assessment and Communications System</i> , which is a multi-tiered results-oriented performance assessment system for General Schedule (GS) and Federal Wage System employees below the GS-15 or equivalent grade, and GS-15 employees who are covered by the <i>2005 SSA/American Federation of Government Employees (AFGE) National Agreement</i>	Completed	↑	88
4.1c	Enhance SSA's recruitment program to support future workforce needs	Develop methodology to evaluate selected elements of the SSA recruitment strategy	Completed	↑	89

## INDIVIDUAL PERFORMANCE MEASURE RESULTS

SSA identifies performance measures that link to SSA's mission and Agency objectives. This section of the report provides SSA's FY 2007 results for each individual performance and Program Assessment Rating Tool (PART) measure. Included for each measure are the FY 2007 goal, the actual performance, and whether the goal was achieved. This section also includes an explanation of the corrective actions the Agency will take for those goals that were not achieved. Established measures include historical data and trend charts for the past five years. For new and revised measures, historical, and trend information is not provided. In cases where FY 2007 end-of-year data are not yet available, an indication of when the final data will be available is shown. For these measures, the end-of-year data will be provided in the FY 2008 PAR. This report also includes final FY 2006 data for those performance measures for which final data were not available when the FY 2006 PAR was released.

**Strategic Goal 1: To deliver high quality, citizen-centered service**

**Strategic Objective 1.1: Make the right decision in the disability process as early as possible**

**1.1a – Percent of initial disability claims receipts processed up to the budgeted level**

**FY 2007 Goal:** 100% (of receipts received up to the budgeted level\*)

**Performance:** 100%\*\*

**Goal Achieved:** Yes

\* The budgeted level for FY 2007 was 2,530,000.

\*\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Discussion:* The Agency made significant progress in implementing the electronic disability process. In light of the extensive growth in both the number and complexity of disability claims, major changes were made to provide timely and accurate service. The electronic disability process eliminates the paper-based case folder that was previously used in the disability process. All SSA components are now able work electronically to collect data, develop and obtain medical information, make determinations and add information to a disability record. Because disability cases are stored electronically, they can be accessed by SSA components at any time without having to wait for the folder to arrive by mail. There is no longer a need to assemble and mail paper folders for most claims. The electronic folder has also eliminated the cumbersome and time consuming steps of printing, filing, and archiving paper folders and has allowed SSA to collect critical case data earlier in the claims process. Cases can be receipted without keying data and medical evidence can be requested sooner. Data can be generated, validated, and shared throughout the decision process.

In addition to the electronic disability process, the Agency is working on other initiatives that will expedite the disability decision. The Quick Disability Determination (QDD) process accelerates cases where there is a high probability that the claimant will be allowed benefits. The QDD will be implemented nationally in FY 2008. Another initiative, Compassionate Allowances, will allow for the quick identification of diseases and other medical conditions that will qualify the applicant for benefits. In these cases, allowances can be made as soon as the diagnosis is confirmed or the other necessary medical evidence is obtained. It is believed that, with both the QDD and Compassionate Allowances initiatives, as many as 15 percent of the cases will benefit from an expedited process. (Refer to *Agency Challenges, III. Improve the Disability Determination Service Process and Return to Work* page 22 for more information on the QDD Process.) Through the implementation of these new processes, SSA is better positioned to meet future goals for this measure.

*Trend:* This was a new measure for FY 2007.

*Data Definition:* The number of initial disability claims receipts processed in DDSs, including disabled dependents, compared to the number of initial disability claims received in a fiscal year up to the budgeted level.

*Data Source:* National Disability Determination Services System and the Disability Operational Data Store

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Performance Plan for FY 2007*, the data source was stated as the “Social Security Unified Measurement System Operational Data Source”. This has been clarified to show “National Disability Determination Services System and the Disability Operational Data Store”.

**1.1b – Maintain the number of initial disability claims pending in the Disability Determination Services (DDS) (at/below FY 2007 goal)**

**FY 2007 Goal:** 577,000

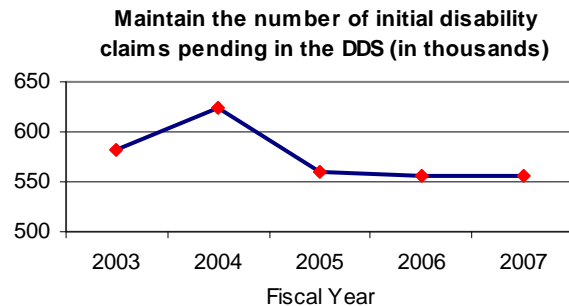
**Performance:** 555,317

**Goal Achieved:** Yes

*Discussion:* The Agency’s ability to meet a goal for initial disability claims pending is dependent on the number of disability claims received, available Agency resources, and the experience level of staff with the electronic disability folder. As one of SSA’s fastest growing core workloads, the Agency is proud to have been able to meet this goal. Disability examiners and other personnel have become increasingly proficient at processing disability claims and the use of the electronic folder has helped to reduce processing delays caused by organizing, mailing, locating, and reconstructing paper folders. A process called the Independence Day Assessment (IDA) certification was designed to verify whether a DDS site was ready to operate in a fully electronic environment; and, as of January 4, 2007, all DDS sites were IDA certified. SSA’s ability to make accurate, consistent and timely disability decisions will be further enhanced as employees gain increased proficiency during the move to electronic folders.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	581,929	↑
2004	624,658	↓
2005	560,529	↑
2006	555,071	↑
2007	555,317	↑



*Data Definition:* DDS count of initial disability claims pending, including disabled dependents

*Data Source:* National Disability Determination Services System and the Disability Operational Data Store

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Performance Plan for FY 2007*, the data source was stated as “National Disability Determination Services System”. This has been clarified to show “National Disability Determination Services System and the Disability Operational Data Store”.

**1.1c – Number of SSA hearings processed**

**FY 2007 Goal:** 555,000\*

**Performance:** 547,951

**Goal Achieved:** No

\* Final FY 2007 appropriations decisions for the Agency restored sufficient resources to the Agency's FY 2007 budget to allow processing of 14,000 additional SSA hearings. The appropriations change required an adjustment to the projected workloads for FY 2007 compared to those shown in the FY 2007 column of the FY 2008 President's Budget and the Congressional Justification for the Agency's budget. This number has been modified to reflect this action.

*Discussion:* Although SSA did not meet this goal, the Agency is continuing to make progress in its strategy of moving to the electronic processing of hearings. The use of an electronic folder has eliminated the inefficient use of resources for filing, retrieving, shipping, and otherwise moving paper folders throughout the disability process. With the electronic folder, SSA has been able to improve efficiency by collecting case data early in the claims process and eliminating keying of the same case data repeatedly throughout the disability process. More time is,

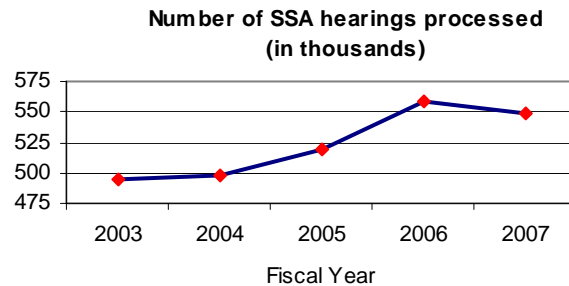
therefore, available for developing and deciding cases in a timely fashion. The Agency will continue to improve its efficiency with regard to the hearings workload by:

- Hiring additional Administrative Law Judges (ALJs) and staff to support them;
- Creating a centralized ALJ staff to conduct video hearings for offices with the most need;
- Establishing attorney adjudicators to review cases early in the hearings process and issue favorable decisions when appropriate;
- Mandating the use of the *Findings Integrated Template*, a decision-writing tool that offers a detailed decisional outline for a wide variety of claims; and
- Developing numerous enhancements to the hearing office electronic processing systems.

Refer to *Agency Challenges, IV. Disability Insurance* page 23 for more information about improving hearing office procedures and reducing hearing office backlogs.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	493,923	↓
2004	497,379	↓
2005	519,359	↓
2006	558,978	↓
2007	547,951	↓



*Data Definition:* SSA hearings processed by the Office of Disability Adjudication and Review (ODAR)

*Data Source:* ODAR Case Processing and Management System

**1.1d – Maintain the number of SSA hearings pending (at/below the FY 2007 goal)**

**FY 2007 Goal:** 738,000\*  
**Performance:** 746,744  
**Goal Achieved:** No

\* Final FY 2007 appropriations decisions for the Agency restored sufficient resources to the Agency's FY 2007 budget to allow processing of 14,000 additional SSA hearings. The increase in appropriations required an adjustment to the projected workloads for FY 2007 compared to those shown in the FY 2007 column of the FY 2008 President's Budget and the Congressional Justification for the Agency's budget. The FY 2007 Goal was changed to reflect this action.

*Discussion:* Receipts of hearing requests have increased at an unprecedented rate. Numerous factors, including Administrative Law Judge and staffing shortages, have impacted SSA's ability to keep up with the pace of the new case receipts.

In addition to processing the high volume of new receipts, the Office of Disability Adjudication and Review has been faced with the challenge of processing its large aged pending case workload. These cases require a significantly greater amount of time to develop, analyze, and process than cases that have been pending for shorter periods because of the expanse of time involved during the alleged period of disability in each aged case. In FY 2007, the Agency was committed to processing the most aged cases before the close of the fiscal year and, therefore, expended substantial resources for this cause. SSA's focus on this effort resulted in the successful processing of all but 108 of the 63,770 aged cases over 1,000 days old. Unfortunately, the Agency did not have

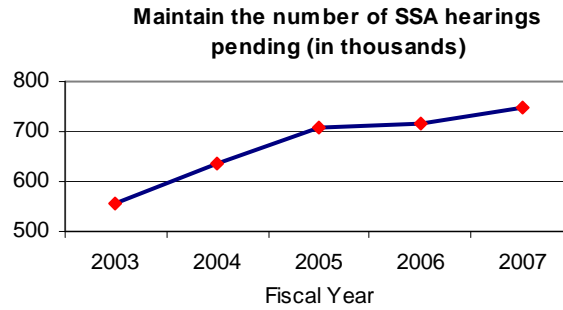


sufficient resources remaining to keep up with the influx of new cases and keep the total number of hearings pending below its target level.

Refer to *Agency Challenges, IV. Disability Insurance* page 23 for more information about improving hearings pending.

Trend:

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	556,369	↓
2004	635,601	↓
2005	708,164	↑
2006	715,568	↑
2007	746,744	↓



Data Definition: SSA hearings pending in the Office of Disability Adjudication and Review

Data Source: Case Processing and Management System

### 1.1e – Average processing time for initial disability claims

FY 2007 Goal: 88 days

Performance: 83\* days

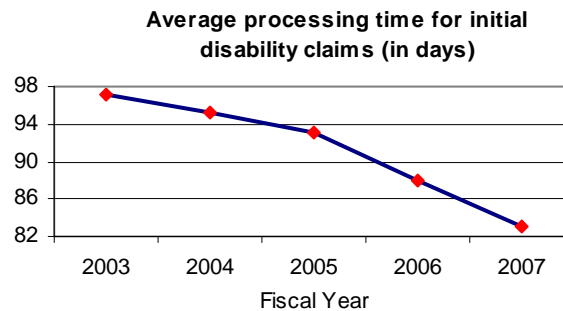
Goal Achieved: Yes

Discussion: The timely processing of initial disability claims is a critical aspect of SSA's service delivery to the public. The Agency has made considerable progress over the past several years in reducing the time it takes to process initial disability claims. This year's average processing time of just 83 days is 14 percent less than the 97 days it took in FY 2003. To achieve this high level of performance, the Agency has continued to improve the disability claims process in both the SSA Field Offices and the State Disability Determination Services by increasing the number of electronic folders and using the electronic signature proxy process. Additional improvements in processing time are expected as employees gain increased proficiency in processing claims via eDib.

Refer to *Agency Challenges, II. Management of the Disability Process* page 21 for more information about how SSA is addressing this issue.

Trend:

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	97 days *	↑
2004	95 days *	↑
2005	93 days *	↑
2006	88 days *	↑
2007	83 days *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Note:* This is a Disability Insurance and Supplemental Security Income Program Assessment Rating Tool performance measure.

*Data Definition:* This is the fiscal year average processing time for Title II (Social Security) and Title XVI (SSI) claims combined. Processing time is measured from the application date (or protective filing date) to either the date of the denial notice or the date the system completes processing an award.

*Data Source:* Social Security Unified Measurement System

*Note:* Also includes “revised time,” “transit time,” and “Field Office, DDS, and Disability Quality Branch times,” as well as protective filings, awarded claims, medically denied claims, technically denied claims, and abbreviated applications.

**1.1f – Average processing time for SSA hearings**

**FY 2007 Goal:** 524\* days

**Performance:** 512 days

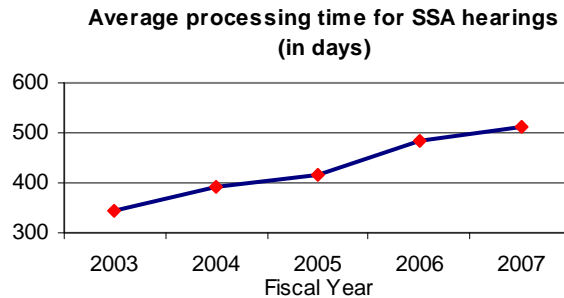
**Goal Achieved:** Yes

*Discussion:* As of the beginning of FY 2007, SSA determined there were approximately 63,770 cases pending that would be in the aged category of more than 1,000 days old by the end of the fiscal year. SSA decided the Agency could best serve the public by focusing on these cases. Processing time is measured by the average length of time it takes to process cases from the request-for-hearing date to disposition during the fiscal year. The Agency recognized the processing time for these aged cases would inflate the overall average processing time for the fiscal year and the goal was modified to compensate for this. The Agency has processed all but 108 of the 63,770 cases. This represents a 99.8 percent reduction of this critical workload. Consequently, although processing time for FY 2007 increased over that for FY 2006, SSA met its FY 2007 goal.

Refer to *Agency Challenges, IV. Disability Insurance* page 23 for more information about SSA initiatives for reducing average processing time.

*Trend:*

Fiscal Year	Performance	Goal Achieved?
2003	344 days **	↑
2004	391 days **	↓
2005	415 days **	↑
2006	483 days	↓
2007	512 days	↑



\* As of FY 2006, SSA no longer processed Medicare hearings. Due to legislation, these Medicare hearings, which were faster and easier to process, were transferred to the Centers for Medicare and Medicaid Services. Removal of these cases from the SSA’s workload contributed to the increase in average processing time. As a result, the FY 2007 goal was increased over the goals for prior years.

\*\* FY 2003 – FY 2005 included Medicare and SSA hearings

*Note:* This is a Disability Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* The average elapsed time, from the hearing request date until the date of disposition for SSA cases at the hearing level (disability and non-disability cases) processed during all months of the fiscal year.

*Data Source:* Case Processing and Management System

**1.1g – Average processing time for hearings appeals**

**FY 2007 Goal:** 242 days

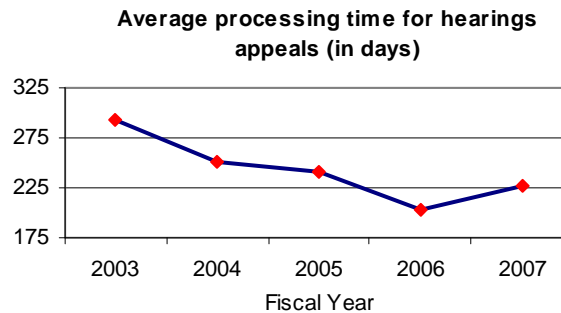
**Performance:** 227 days

**Goal Achieved:** Yes

*Discussion:* SSA has taken proactive steps over the years to reduce the number of older claims that had accrued at the Appeals Council, which has resulted in significant accomplishments in this area. In anticipation of increased workloads in the coming year, the Appeals Council concentrated on significantly reducing the aged cases that are pending this fiscal year. As a result of this initiative, the overall processing time is higher this fiscal year than last. However, by balancing workloads and identifying and clearing incoming cases ready for immediate processing, the processing time remains well below the targeted level.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	294 days	↑
2004	251 days	↑
2005	242 days	↑
2006	203 days	↑
2007	227 days	↑



*Data Definition:* The 12-month average processing time for decisions on appeals of hearings. Monthly processing time is calculated as an average over the course of the fiscal year. Processing time begins with the date of the request and ends when the disposition is entered into the Appeals Council Automated Processing System, which is the date the decision is date stamped, released, and mailed.

*Data Source:* Appeals Council Automated Processing System

**1.1h – Disability Determination Services (DDS) net accuracy rate (allowances and denials combined)**

**FY 2006 Goal:** 97%

**Performance:** 96%\*

**Goal Achieved:** No

**FY 2007 Goal:** 97%

**Performance:** 97%\* \*\* (through June 2007)

**Goal to be Achieved:** Yes

*Discussion:* The Agency has devoted substantial resources to improve the accuracy of the initial State DDS decisions. The rules and instructions for administering the disability adjudication process are very complex, requiring years of experience before a disability examiner becomes fully proficient at evaluating claims. In

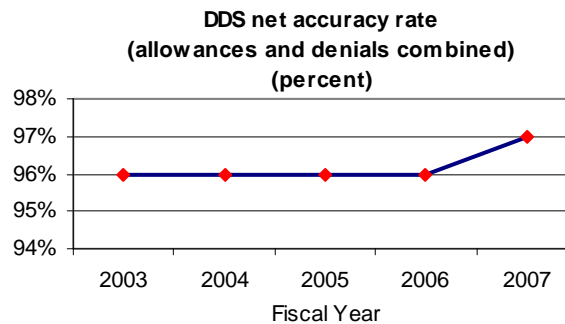
FY 2007, the Agency continued to give training and support to the State DDS, providing not only disability training programs on SSA’s website, but also developing the Enhanced Program Operations Manual System, a web-based application. The Enhanced Program Operations Manual System is designed to assist DDS employees in obtaining up-to-date policy and procedural information. It contains step-by-step processing instructions, structures information into small groups to make it easier for the DDS employee to use, and provides search capabilities that limit the response to material relevant to the requestor’s job tasks and position.

In addition, SSA has continued to strengthen the working relationships with medical providers. The quality of these relationships help the Agency ensure that the medical evidence to support the disability determination is complete and received timely, both important elements of making a quality decision.

SSA has also conducted quality reviews by randomly selecting disability claim files and checking them for consistency and quality. These quality reviews were expanded in FY 2007 to include both Social Security and Supplemental Security Income claims. As of June 2007, SSA is on target to meet the FY 2007 goal.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	96% *	↓
2004	96% *	↓
2005	96% *	↓
2006	96% *	↓
2007	97% * **	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

\*\* The performance data shown for FY 2007 is based on performance through June 2007. Actual end-of-year data will not be available until January 2008 and will be reported in the FY 2008 PAR.

*Note:* This is a Disability Insurance and Supplemental Security Income Program Assessment Rating Tool performance measure.

*Data Definition:* Net accuracy is the percentage of correct initial State disability determinations and based on the net error rate, i.e., the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed. Note: Deficient cases corrected after the 90-day period are still counted as a deficiency.

*Data Source:* Disability Quality Assurance Data Bases

1.1i – Agency decisional accuracy rate (ADA)

FY 2006 Goal: 97%

Performance: 97%\*

Goal Achieved: Yes

FY 2007 Goal: 97%

Performance: 97%\* \*\* (through June 2007)

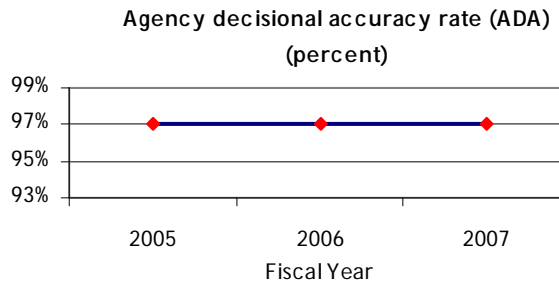
Goal Achieved: Yes

*Discussion:* The Agency uses this measure to target areas needing improved decisional accuracy. The final performance number for FY 2006 became available in January 2007 and the Agency achieved the goal of 97 percent. As of June 2007, SSA is on target to meet the FY 2007 goal.

This measure portrays the Agency’s initial disability determination accuracy. It considers all corrective actions taken in connection with SSA quality control reviews before a final Disability Determination Service (DDS) decision is made on a case. This measure expands on measure 1.1h, *DDS net accuracy rate*, described on page 59, as it includes correct decisions as well as incorrect DDS determinations that were corrected by SSA prior to the final processing of the decision. As a service measure, it demonstrates the high accuracy rate of SSA decisions and the reliance that can be placed on those decisions.

*Trend:* This was a new measure for FY 2005.

Fiscal Year	Performance	Goal Achieved?
2005	97% *	↑
2006	97% *	↑
2007	97% **	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

\*\* The performance data shown for FY 2007 is based on performance through June 2007. Actual end-of-year data will not be available until January 2008 and will be reported in the FY 2008 PAR.

*Data Definition:* Agency decisional accuracy (ADA) estimates total errors in all initial State agency disability determinations based on the quality assurance sample review conducted in the Disability Quality Branches. Errors are defined as those cases in which decisions change upon correction. The errors that are corrected in the regional quality assurance and pre-effectuation reviews are subtracted from the total estimated errors. The remaining uncorrected errors are the “incorrect” cases in ADA. The remaining correct cases divided by the total cases represent ADA.

*Data Source:* Disability Quality Assurance Data Bases

**Strategic Objective 1.2: Increase employment for people with disabilities by expanding opportunities**

**1.2a – Number of DI and SSI beneficiaries, with tickets assigned, who work**

**FY 2006 Goal:** 22,483 (60% over CY 2003 baseline)

**Performance:** 49,682

**Goal Achieved:** Yes

**FY 2007 Goal:** 44,611 (80% over CY 2004 baseline)

**Performance:** Data available July 2008\*

**Goal Achieved:** To Be Determined

*Discussion:* SSA exceeded the FY 2006 goal on this measure that supports the Agency’s service goal by assisting disabled recipients to overcome the obstacles they may face when entering the workforce or returning to work. Through the Agency’s Ticket to Work program, beneficiaries receive a voucher or ticket that they can take to an approved service provider of their choice. The provider, called an Employment Network, can be a private organization or public agency that agrees to provide vocational rehabilitation, employment, and other support services to help beneficiaries get and keep a job. For those months where cash benefits stop because of work or earnings, Employment Networks receive a percentage of the benefits that otherwise would have been paid to the individual.

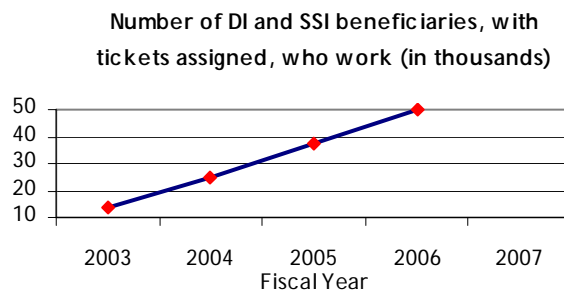
As a critical element of the success of the Ticket to Work program, SSA has also devoted resources to the continued education of employers and the public about the benefits of the program. One method of providing information to beneficiaries has been through Work Incentive Seminar events, which bring together beneficiaries, employment providers and other partners in their local communities. Ten pilot Work Incentive Seminar events were conducted in FY 2007.

In addition, SSA has proposed a new regulation that would improve the overall effectiveness of the program in assisting people with disabilities who want to become more economically self-sufficient through employment.

Refer to *Agency Challenges, III. Improve the Disability Determination Service Process and Return to Work* page 22 for more information about the Ticket to Work program.

*Trend:*

<u>Calendar Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	14,052 (CY 2003 baseline)	
2004	24,784 (CY 2004 baseline)	
2005	37,424	↑
2006	49,682	↑
2007	To Be Determined *	



\* Actual data for FY 2007 will not be available until July 2008 and will be reported in the FY 2008 PAR.

*Note:* This is a Disability Insurance and Supplemental Security Income Program Assessment Rating Tool performance measure.

*Data Definition:* Count the number of Disability Insurance, Supplemental Security Income, and concurrent beneficiaries who have used their Ticket to sign up with an Employment Network or State Vocational Rehabilitation Agency and who have recorded earnings in the *Disability Control File* (DCF) in any month of the calendar year. The data are provided on a calendar year basis and reported in June of the following year.

*Data Source:* The “Verify Update Earnings Screen’s Work and Earnings Reports” data field in the DCF.

**1.2b – Number of SSI disabled beneficiaries earning at least \$100 per month**

**FY 2007 Goal:** 261,560 (10 percent over baseline)

**Performance:** 259,701

**Goal Achieved:** No

*Discussion:* SSA has a number of strategies and work incentives to assist disabled Supplemental Security Income (SSI) recipients in achieving economic independence and self-sufficiency. These strategies are guided by and directly support the President’s *New Freedom Initiative*, a nationwide effort to eliminate the barriers that prevent people with disabilities from engaging in productive work and fully participating in community life.

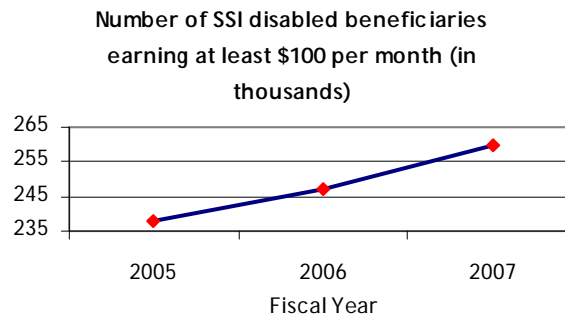
SSA recognizes the level of education, work experience, and capacity for work of the SSI population varies considerably, and for many, transitioning into the workforce can be a slow process. Nevertheless, SSA will continue to offer and promote work incentives that can help SSI recipients enter or re-enter the workforce in order to improve the quality of their lives.

Refer to *Agency Challenges, III. Improve the Disability Determination Service Process and Return to Work* page 22 for more information about SSA’s initiatives designed to support people with disabilities engage in productive work and fully participate in community life.

*Trend:*

**Fiscal Year   Performance   Goal Achieved?**

2005	237,782 (baseline)	
2006	247,143	↓
2007	259,701	↓



*Data Definition:* The number of working SSI disabled beneficiaries earning at least \$100 per month. This measure is intended to reflect the impact of all work incentives for SSI disabled beneficiaries. Effective FY 2005, SSA averages the four fiscal year quarterly results to determine annual performance.

*Data Source:* *SSI Disabled Recipients Who Work* report

**Strategic Objective 1.3: Improve service through technology, focusing on accuracy,**

**1.3a – Percent of Retirement and Survivors Insurance (RSI) claims receipts processed up to the budgeted level**

**FY 2007 Goal:** 100%\*

**Performance:** 101%\*\*

**Goal Achieved:** Yes

\* The budgeted level for FY 2007 was 3,837,000.

\*\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Discussion:* As the number of RSI beneficiaries continues to increase, the Agency makes every effort to fully utilize the benefits that technology can bring to managing and expediting the processing of claims. Through advances in technology, the public can now view retirement benefit estimates, file for retirement benefits online, and virtually sign an application over the Internet, thereby eliminating the need for a beneficiary to visit an SSA Field Office. In May 2007, SSA’s Strategic Internet Claims Workgroup introduced a five-year strategic plan to further improve the Internet application process for RSI claims. The implementation of this plan will result in a sophisticated user-centered collection of easy-to-use claims services for the public filing for claims online.

Refer to *Agency Challenges, VII. Service Delivery and Electronic Government* page 25 for more information. As the trend of online service expands over the next decade, SSA faces the challenge of providing cost-effective electronic service delivery.

*Trend:* This was a new measure for FY 2007.

*Note:* This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* In the Regional Offices, Field Offices, Immediate Claims Taking Units, and Office of Central Operations, the number of initial claims for retirement, survivors, and Medicare processed compared to the number of initial claims for retirement, survivors, and Medicare received in a fiscal year up to the budgeted level. This includes totalization claims.

*Data Source:* Social Security Unified Measurement System Operational Data Source

**1.3b – Optimize the speed in answering 800-number calls**

**FY 2007 Goal:** 330 seconds

**Performance:** 250 seconds

**Goal Achieved:** Yes

*Discussion:* To “optimize” the speed in answering these calls, SSA intends to make this process operate at its most effective without negatively impacting the “busy rate” goal in measure 1.3c. Average speed of answer is affected by a variety of factors, including the number of available agents, the average handle-time per call, and the wait tolerance of callers to remain on hold.

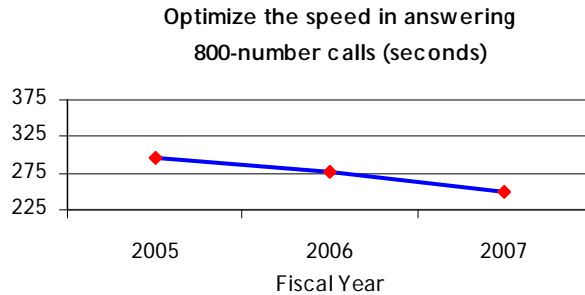
Anticipating increases in call volume, SSA continues to use technology advances to improve service delivered by the National 800-Number Network. For instance, in FY 2007, SSA implemented Screen Splash using speech technology to collect identifying information from callers. This information is then displayed on the agent’s workstation, subsequently reducing call handle-time and increasing overall accuracy. Likewise, speech-enabling



technology has increased the National 800-Number Network efficiency by reducing the time callers spend navigating through menu prompts. Speech technology is currently being used to automate workloads that were once handled manually.

*Trend:* This was a new measure for FY 2005.

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2005	296 seconds	↑
2006	278 seconds	↑
2007	250 seconds	↑



*Data Definition:* The answer wait time of all calls divided by all calls answered by agents. Wait time begins from the time the call is placed in queue and ends when an agent answers. Calls that go straight to an agent without waiting in the queue have a zero wait time but are included in the average speed of answer (ASA) calculation. ASA does not include callers who hang up after being in the queue.

*Data Source:* Report generated by Cisco router software

### 1.3c – Optimize the 800-number busy rate for calls offered to Agents

**FY 2007 Goal:** 10%

**Performance:** 8%\*

**Goal Achieved:** Yes

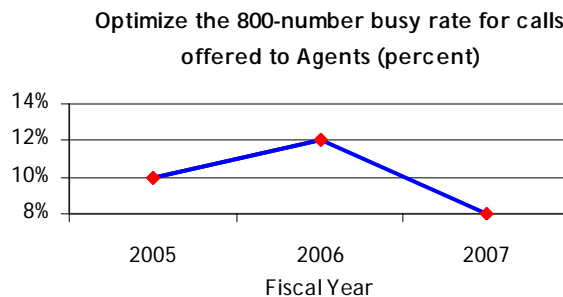
*Discussion:* To “optimize” the 800-number busy rate, SSA intends to make this process function at its most effective without negatively impacting the “average speed of answer” goal in measure 1.3b. The agent busy rate is affected by a variety of factors, including the number of available agents, the average handle-time per call, and the wait tolerance of callers to remain on hold.

In anticipation of increases in call volume, SSA continues to use technological advances to improve service delivered by the National 800-Number Network. For instance, in FY 2007, SSA implemented Screen Splash using speech technology to collect identifying information from callers. This information is then displayed on the agent’s workstation, subsequently reducing call handle-time and increasing overall accuracy.

Similarly, speech-enabling technology has increased the National 800-Number Network efficiency by reducing the time callers spend navigating through menu prompts. Speech technology is currently being used to automate workloads that were once handled manually. In addition, the National 800-Number consists of several self-service applications that allow callers to complete transactions without speaking to an agent or encountering a busy signal.

*Trend:* This was a new measure for FY 2005.

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2005	10% *	↑
2006	12% *	↓
2007	8% *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Data Definition:* Number of busy messages divided by number of calls offered to agents (displayed as a percentage). A busy message is the voice message a caller receives when no agent is available to answer the call because the queue has reached its maximum capacity of waiting calls. When this happens, the person is asked to call back later.

*Data Source:* Report generated by Cisco router software

### 1.3d – Maximize public use of electronic services to conduct business with SSA

**FY 2007 Goal:** 2,946,800

**Performance:** 2,869,829

**Goal Achieved:** No

*Discussion:* At the end of FY 2007, ten of the 17 applications included in this measure met or exceeded the goal for that application. A major systems outage, from November 20-25, 2006 negatively impacted usage, resulting in approximately 25,000 fewer transactions than the previous month. The public's use of electronic services made a slight rebound in the month of December, but the overall performance of this measure did not consistently sustain a usage growth to offset the November loss. For the second year in a row, usage fell slightly below the goal set for the growth in electronic services, ending FY 2007 at 97 percent of the goal.

The performance of the electronic service measure cannot be influenced by shifting workloads or resources. This measure is dependent upon public usage of the Agency's electronic services. The Agency continues to dedicate resources to increasing the availability and usage of electronic services for the public. Not only are workloads escalating at a rapid pace, but the expectations of the American public are changing to expect more services to be available through non-traditional means. The technologies that enable service improvement are rapidly evolving; and, over the course of the next few years, technological advances will increase the number of applications available to telephone and Internet users. SSA is in the process of implementing a formal plan to dramatically increase the use of electronic services, especially with regard to online retirement claims filed by the baby boom generation. Encouraging the public to make full use of these emerging technologies is a critical component to the Agency's success in maintaining the level of service that the public expects and deserves.

*Trend:* This was a new measure for FY 2007.

*Data Definition:* This indicator consists of an aggregate measure of representative electronic transactions the public performs with SSA, such as applying for benefits and updating beneficiary information. Application counts for electronic services represent only fully successful transactions. As this indicator is for transactions, it does not include public use of SSA electronic screening tools. The following are included in the count of transactions:

- *Internet Social Security Benefit Application* includes:
  - *Retirement Application* (effective 11/00)
  - *Spouse Application* (effective 3/01)
  - *Disability Application* (effective 1/02)
- *Proof of Income Letter – Internet* (effective 3/99)
- *Proof of Income Letter – 800# voice enabled* (effective 7/04)
- *Medicare Replacement Card – Internet* (effective 7/00)
- *Medicare Replacement Card – 800# voice enabled* (effective 4/01)
- *Change of Address – Internet Password based* (effective 4/01)
- *Change of Address – Internet Knowledge based* (effective 2/04)

- *Change of Address – 800# voice enabled (effective 7/05)*
- *Change of Direct Deposit -- Internet (effective 8/01)*
- *Change of Direct Deposit – 800# voice enabled (effective 7/05)*
- *Internet 3368 Work History and Disability Report (effective 8/02)*
- *Internet 3368PRO Work History and Disability Report (effective 2/05)*
- *Internet 3441 Disability – All Types (effective 2/04)*
- *Internet 3820 Disability – Child (effective 11/03)*
- *Internet Replacement 1099 (effective 3/99)*

Data Source: Executive and Management Information System; Title II Internet Claims Report.

**1.3e – Increase the percent of employee reports (W-2 forms) filed electronically and processed to completion**

**FY 2007 Goal:** 80%

**Performance:** 81%\*

**Goal Achieved:** Yes

*Discussion:* Through a series of process and service initiatives, SSA has steadily increased the percent of W-2s filed electronically from 53 percent in FY 2003 to 81 percent in FY 2007; an overall increase of 53 percent. Electronic Wage Reporting simplifies the employer wage reporting process by allowing employers to submit employee wage reports online.

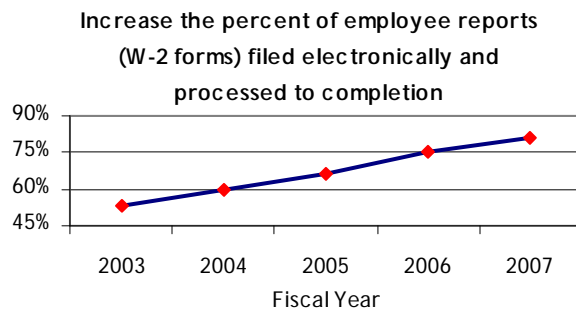
In FY 2007, SSA continued to offer W-2 Online, which gives employers the ability to submit wage reports online and allows employers to print copies of the W-2 forms for their employees. In FY 2007, the W-2 Online service was used to submit 208,499 employer reports and the Agency began a pilot of the Electronic Wage Reporting Web Service, allowing employers to submit W-2s without manual intervention.

In addition, the Agency aggressively continued outreach efforts to employers and employer associations to increase electronic wage reporting and improve the accuracy of wage reports.

Refer to *Agency Challenges, VII. Service Delivery and Electronic Government* page 25 for more information about the Electronic Wage Reporting Web Service and W-2C Online.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	53% *	↑
2004	60%	↑
2005	66%	↑
2006	75% *	↑
2007	81% *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Data Definition:* This percent is the number of W-2s filed electronically and processed to completion for a tax year, divided by the total number of W-2s for that tax year processed to completion by the end of the processing year (mid-January).

*Note:* “Processed to completion” means that the W-2 was not rejected in the process – earnings were either posted to an individual earnings record or updated to the *Earnings Suspense File*.

*Data Source:* *Earnings Management Information Operational Data Store* reports

**1.3f – Percent of individuals who do business with SSA rating the overall service as “excellent,” “very good,” or “good”**

**FY 2007 Goal:** 83%

**Performance:** 81%

**Goal Achieved:** No

*Discussion:* SSA conducts several surveys during the fiscal year to evaluate various aspects of the Agency’s service. The combined results of the surveys produce the overall service satisfaction score. As the workloads of the Agency increase, public perception of the quality of the service provided by the Agency is carefully monitored. The results of these surveys allow SSA to identify the specific aspects of service where improvement would have the greatest impact on overall satisfaction.

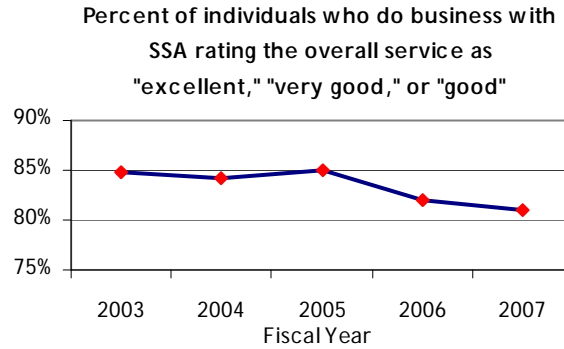
The Agency’s primary strategy is to improve service through the use of technology. For example, SSA is continually refining the speech recognition system on its 800-number to improve telephone access and better assist callers with their business. As a result, more calls can be handled to completion through automation. The Agency continually reassesses the types of services offered electronically, both on the Internet and via the 800-number, to identify opportunities for expanding and refining those services to reach a larger segment of the public. Expanded use of electronic services for more routine transactions will enable more staff time to be devoted to customers with more complex service needs.

The public also benefits from technological enhancements the Agency has developed for use by its employees in Field Offices, Teleservice Centers, and Hearing Offices. These enhancements include automated wage reporting, the Visitor Intake Program, electronic folders, video hearings, Immediate Claims Taking Units, eWork, and employment verification programs. By instituting these policy and systems enhancements, the Agency reduces customer waiting times, expedites claims processing, and improves overall service delivery for the public's convenience.

The Agency has devoted significant resources to ensure its web services rank among the best in Government. American Customer Satisfaction Index (ACSI) surveys are widely used in both the Federal and private sectors to measure public satisfaction with features of websites. The surveys provide agencies with standard, statistical measurements of public satisfaction. On September 2007, the third quarter Federal ACSI scores were released and SSA received top scores. The Internet Social Security Benefits Application topped all Federal websites with a score of 88, whereas the Medicare Prescription Plan Drug Costs Application followed closely with a score of 87. This is the fourth consecutive quarter these applications have led the way for Federal e-Commerce and transactions websites. Further, these two applications, together with SSA’s Business Service Online and SSA’s Retirement Planner, captured four of the top six spots in the e-Commerce category. SSA’s aggregate score (80 for six surveys) was the second highest among all Federal agencies running multiple surveys.

Trend:

Fiscal Year	Performance	Goal Achieved?
2003	85% *	↑
2004	84% *	↑
2005	85%	↑
2006	82%	↓
2007	81%	↓



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Note: This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

Data Definition: Percent of respondents who rate overall service as “good,” “very good,” or “excellent” on a 6-point scale ranging from “excellent” to “very poor” divided by the total number of respondents to that question.

Data Source: SSA’s annual surveys of 800-number callers (based on contacts sampled from all 800-number sites throughout March); Field Office callers (based on contacts sampled from randomly selected Field Offices throughout April); Field Office and hearings office visitors (based on contacts sampled from randomly selected offices over an eight-week period from July to September).

### 1.3g – Improve workload information using *Social Security Unified Measurement System (SUMS)*

**FY 2007 Goal:** Complete 74% of SUMS projects  
**Performance:** 74% of SUMS projects completed  
**Goal Achieved:** Yes

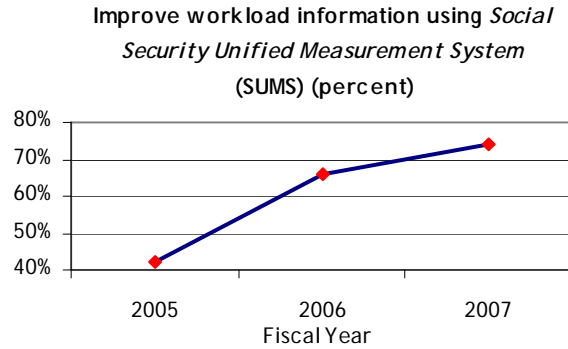
Discussion: SUMS projects are intended to improve the quality of management information on all workloads processed throughout SSA. The implementation of SUMS provides Agency level and component level workload counts and employee time consistently regardless of where the work is performed. The system stores the data required to make business decisions or to ensure compliance with regulations. SUMS reports are available online through a web-based portal. Reports include workload listings, performance reports, and other vital information. SUMS is a key enabler in monitoring and reporting on Agency progress in achieving goals and objectives.

Existing component-specific work measurement systems will be replaced by a unified system in which decisions to move workloads among components are handled automatically.

The Agency will continue to dedicate resources to the SUMS initiatives until full implementation is achieved.

*Trend:* This was a new measure for FY 2005.

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2005	42%	↓
2006	66%	↑
2007	74%	↑



*Data Definition:* SUMS is a series of projects that provides improved workload control and management information. Each project consists of multiple releases. A methodology which weights individual projects to create a combined percentage is used to track the overall completion of this initiative. This formula scores the deliverables within each project, which includes the creation of the SUMS data store, control listings, performance measures, and SUMS counts. Completion percentages are also attributed to cross cutting projects, including Time Allocation and the Customer Service Record, to derive an overall SUMS completion percentage.

*Data Source:* SUMS/Managerial Cost Accountability Systems (MCAS) project plan; reports to the SUMS/MCAS Executive Steering Committee on systems releases and the status of projects under development.

**Strategic Goal 2: To protect the integrity of Social Security programs through superior stewardship**

**Strategic Objective 2.1: Detect and prevent fraudulent and improper payments and improve debt management**

**2.1a – Number of Supplemental Security Income (SSI) non-disability redeterminations processed**

**FY 2007 Goal:** 1,026,000

**Performance:** 1,038,948

**Goal Achieved:** Yes

*Discussion:* SSA has reduced some of its stewardship activities in order to devote necessary resources to service delivery. Although there were limited Agency resources to work this cost-effective program integrity workload, SSA was able to meet the redetermination goal for FY 2007. The redetermination process provides a direct link to the Agency’s stewardship. These periodic reviews of non-medical factors, such as income and resources, are conducted to ensure that SSI beneficiaries remain eligible for payments and are receiving the benefits to which they are due. Redeterminations result in both overpayments being collected or prevented and in underpayments being paid or prevented. Overall, SSA saves approximately \$7 for every \$1 spent in processing redeterminations.

SSA has taken the initiative to simplify the SSI redetermination process for both the public and Agency employees handling these cases. One such project is the *Access to Financial Information* project, which is discussed on page 24 of *Agency Challenges, VI. Improper Payments and Recovery of Overpayments*. This system automates access to financial institution data. SSA expects to significantly reduce incorrect SSI payments caused by excess financial account resources through this project. SSA also piloted an automated telephone-based monthly wage-reporting method for workers at risk for wage-related overpayments. SSA continues to improve this automated process so that it can support more callers and eventually provide a national means of fully automated SSI wage reporting. Although these and other systems enhancements are contributing to the Agency’s ability to manage this workload, resource constraints have reduced the number of SSI non-disability redeterminations processed.

*Trend:* This was a new measure for FY 2007 as a result of expanding the data definition to include targeted redeterminations. Historical data is immaterial because it does not include targeted redeterminations.

*Data Definition:* All non-disability eligibility redeterminations of SSI beneficiaries that are processed to completion resulting from diary actions (scheduled), those initiated as a result of events reported by beneficiaries (unscheduled), and targeted redeterminations.

*Data Source:* Redetermination Service Delivery Objective Report, Post-eligibility Data Warehouse

**2.1b – Number of periodic CDRs processed to determine continuing entitlement based on disability**

**FY 2007 Goal:** 729,000

**Performance:** 764,852

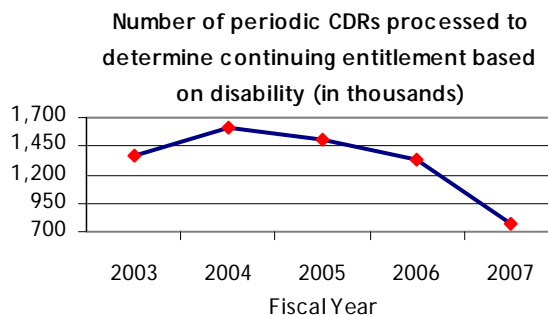
**Goal Achieved:** Yes

*Discussion:* SSA conducts Continuing Disability Reviews (CDRs) as a method to ensure the integrity of the disability program. Overall Agency resource constraints in FY 2007 required SSA to make adjustments to program integrity workloads so the Agency could focus on maintaining service levels. Despite limited Agency resources to perform this cost-effective program integrity workload, SSA was able to meet the CDR goal for FY 2007, CDRs are used to determine whether beneficiaries continue to be entitled to benefits based on their current medical condition and, as such, are a key activity for protecting the integrity of Social Security programs.

Although SSA achieved this goal and saves \$10 for every \$1 spent in conducting CDRs, the number of CDRs the Agency has been able to process dropped dramatically in FY 2007 due to resource constraints. Given these constraints and recognizing the value of prioritizing CDR cases as efficiently as possible, SSA continues to make improvements to the CDR process. In June 2007, SSA implemented Medical Diary Profiling for new Disability Determination Services awards and CDR continuances. Medical Diary Profiling extends the benefits of statistical modeling to the front end of the disability process. In doing so, it creates greater precision and more uniformity in medical re-examination diaries while increasing efficiencies in managing CDR workloads. SSA also began to process CDRs using an electronic folder in June 2007. These electronic records will ensure that the Agency has an individual’s medical information readily available for future CDRs.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	1,371,255	↑
2004	1,604,680	↑
2005	1,515,477	↑
2006	1,337,638	↑
2007	764,852	↑



*Data Definition:* Count includes periodic reviews and other CDRs processed by the Disability Determination Services and mailers not requiring medical reviews.

*Data Source:* Disability Operational Data Store and the CDR tracking files

*Note:* The FY 2007 goal of 729,000 includes 198,000 medical CDRs and 531,000 CDR mailers not requiring medical review.

2.1c – Percent of Supplemental Security Income (SSI) payments free of overpayments (O/P) and underpayments (U/P)

<b>FY 2006 Goal:</b>	Overpayment accuracy:	95.4%
	Underpayment accuracy:	98.8%
<b>Performance:</b>	Overpayment accuracy:	92.1%
	Underpayment accuracy:	97.8%
<b>Goal Achieved:</b>	Overpayment accuracy:	No
	Underpayment accuracy:	No
<b>FY 2007 Goal:</b>	Overpayment accuracy:	95.7%
	Underpayment accuracy:	98.8%
<b>Performance:</b>	Overpayment accuracy:	(Data available July 2008)**
	Underpayment accuracy:	(Data available July 2008)**
<b>Goal Achieved:</b>	Overpayment accuracy:	To Be Determined**
	Underpayment accuracy:	To Be Determined**

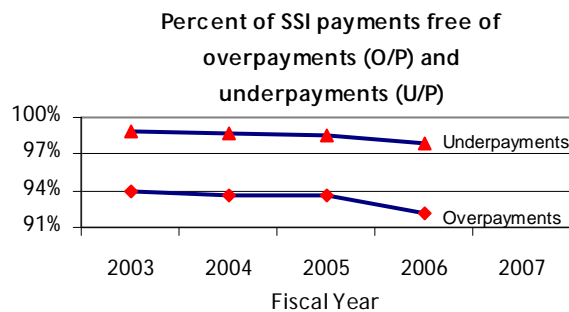
*Discussion:* SSA has had to make difficult decisions about where to use limited Agency resources in order to best serve the public. Consequently, SSA has reduced some of its stewardship activities in order to devote necessary resources to service delivery.

A large part of this performance measure is addressed through the SSI redetermination process. Initial payments are based on projections, such as future earnings, that must later be verified and a determination made as to the accuracy of the payment amount. This links the success of this performance measure to 2.1a - *Number of Supplemental Security Income (SSI) non-disability redeterminations processed*. Refer to the discussion under 2.1a on page 70 of this section for more information on the non-disability redeterminations processed.

In addition, this performance measure is linked to SSA’s projects in the President’s Management Agenda program initiative, “Eliminating Improper Payments.” Refer to the *Improper Payments Information Act of 2002 Detailed Report* on page 186 and *Agency Challenges, VI. Improper Payments and Recovery of Overpayments* on page 24 for more information on the Agency’s efforts to reduce improper payments.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	O/P: 93.9% *	↓
	U/P: 98.8% *	↓
2004	O/P: 93.6% *	↓
	U/P: 98.7% *	↓
2005	O/P: 93.6% *	↓
	U/P: 98.6% *	↓
2006	O/P: 92.1%	↓
	U/P: 97.8%	↓
2007	O/P: To Be Determined **	
	U/P: To Be Determined **	



\* The actual number is rounded to the nearest tenth using the standard rounding convention of rounding up numbers that are .05 or higher and rounding down those .04 or less.



\*\* Actual data for FY 2007 will not be available until July 2008 and will be reported in the FY 2008 PAR.

*Note:* This is a Supplemental Security Income Program Assessment Rating Tool performance measure.

*Data Definition:* The SSI payment accuracy rate free of overpayments and underpayments is determined by an annual review of a statistically valid sample of the beneficiary rolls; i.e., the findings are representative of the universe of the payments issued with 95 percent precision and confidence levels of +/- 1.0 percent for O/P and +/- .05 percent for U/P. Separate rates are determined for overpayment error dollars and underpayment error dollars. The accuracy rates are computed by dividing error dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to determine the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Plan for FY 2007*, the *Data Definition* was incorrect in that it included projected confidence levels. The confidence level for each fiscal year cannot be determined until the review has been completed. The *Data Definition* now includes the FY 2006 confidence levels of +/- 1.0 percent for O/P and +/- 0.5 percent for U/P.

*Data Source:* SSI Stewardship Report

*Note:* The SSI payment accuracy (stewardship) report is based on a monthly sample of SSI (Title XVI) cases randomly selected from the SSI payment rolls consisting of all recipients in current pay status. Sampled cases are reviewed for non-medical factors of eligibility and, in each case, the recipient or representative payee is interviewed (usually during in-home visits), collateral contacts are made as needed, and all factors of eligibility are redeveloped as of the sample month. The stewardship data are reported on a fiscal year basis (targeted for June 30 of the year following the year of review) and provide an overall accuracy measurement of the payments to all recipients currently on the SSI rolls.

## 2.1d – Percent of outstanding Supplemental Security Income (SSI) debt in a collection arrangement

**FY 2007 Goal:** 56%

**Performance:** 52%\*

**Goal Achieved:** No

*Discussion:* One of SSA's critical stewardship obligations can be found in the President's Management Agenda (PMA) program initiative *Eliminating Improper Payments*. The Agency has an obligation to the public to ensure that SSA's funds are paid to the proper person and in the correct amount. When erroneous payments are made, it is an equal priority for SSA to collect monies that were overpaid. The collection of this debt is an important element of the Agency's plan under this PMA initiative.

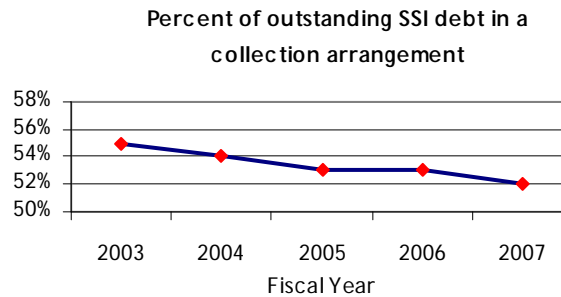
Overall Agency resource constraints in FY 2007 required SSA to make adjustments to program integrity workloads so the Agency could focus on maintaining service levels. As a result of these changes, the FY 2007 SSI debt collection goal was not met. Nevertheless, SSA has an aggressive debt recovery program which includes:

- Using a new debt collection measurement tool that enables the Agency to better target those portions of its debt portfolio that can be collected;
- Withholding of ongoing and retroactive SSI payments;
- Continuing cross-program recovery of SSI debt from Social Security benefits;
- Recovering overpayments through offsets to Federal tax refunds and other Federal payments;
- Reporting to credit bureaus;
- Exercising authority to hold representative payees liable for overpayments caused by incorrect payments to deceased beneficiaries; and
- Requesting employers to offset the wages of delinquent debtors.

Several plans to enhance the Agency’s ability to collect debt are in development, such as charging interest on outstanding debt and the referrals of cases to private collection agencies.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	55%	↑
2004	54% * **	↓
2005	53% *	↑
2006	53% *	↓
2007	52% *	↓



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

\*\* The data reported from October 2003 through April 2004 was incomplete and could not be accurately recalculated. The actual FY 2004 performance represents cumulative data from May 2004 through September 2004 only.

*Data Definition:* The percent of outstanding SSI debt that is scheduled for collection by benefit withholding or installment payment. The rate is expressed as the average for the year, i.e., the percent is calculated monthly and the annual performance is derived by averaging the results for the most recent 12 months. Outstanding SSI debt is grouped into four main categories: newly established debt; debt that involves a current due process request, such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories.

*Note:* Data is shown as a 12-month rolling average.

*Data Source:* Supplemental Security Record

**2.1e – Percent of Old-Age, Survivors and Disability Insurance (OASDI) payments free of overpayments (O/P) and underpayments (U/P)**

**FY 2006 Goal:** Overpayment accuracy: 99.8%  
Underpayment accuracy: 99.8%

**Performance:** Overpayment accuracy: 99.7%\*  
Underpayment accuracy: 99.9%\*

**Goal Achieved:** Overpayment accuracy: No  
Underpayment accuracy: Yes

**FY 2007 Goal:** Overpayment accuracy: 99.8%  
Underpayment accuracy: 99.8%

**Performance:** Overpayment accuracy: (Data available July 2008)\*\*  
Underpayment accuracy: (Data available July 2008)\*\*

**Goal Achieved:** Overpayment accuracy: To Be Determined\*\*  
Underpayment accuracy: To Be Determined\*\*

*Discussion:* SSA is a committed steward of the Social Security OASDI Trust Funds. In FY 2006, the Agency exceeded its underpayment accuracy goal and has continued to make steady progress toward its overpayment accuracy goal. Although the overpayment accuracy rate ended the year below the FY 2006 goal, the difference of 0.1 percent is not statistically significant and the steady improvement in the percentage of overpayment accuracy since FY 2004 translates into millions of dollars saved.

SSA continues to implement initiatives with the potential to improve payment accuracy. In FY 2007, the Agency expanded the development of the two following applications to help address overpayments:

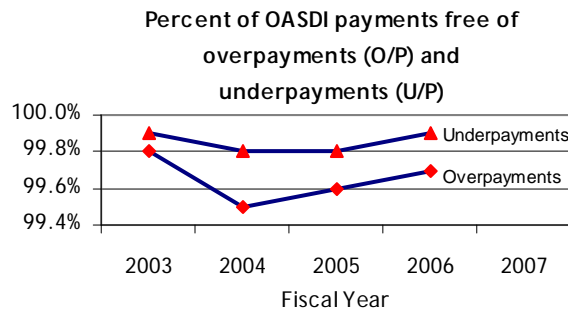
- eWork, an automated system that controls and processes Continuing Disability Reviews, and
- eVital, an electronic process that enables timely receipt of accurate information on the death of individuals.

Refer to *Agency Challenges, VI. Improper Payments and Recovery of Overpayments* pages 24 and 25 for more information on eWork and eVital.

To the extent that future resources will allow, the Agency will persist in the development of new strategies to improve the overpayment accuracy rate.

*Trend:*

Fiscal Year	Performance	Goal Achieved?
2003	O/P: 99.8% *	↑
	U/P: 99.9% *	↑
2004	O/P: 99.5% *	↓
	U/P: 99.8% *	↑
2005	O/P: 99.6% *	↓
	U/P: 99.8% *	↑
2006	O/P: 99.7% *	↓
	U/P: 99.9% *	↑
2007	O/P: To Be Determined**	
	U/P: To Be Determined**	



\* The actual number is rounded to the nearest tenth using the standard rounding convention of rounding up numbers that are .05 or higher and rounding down those .04 or less.

\*\* Actual data for FY 2007 will not be available until July 2008 and will be reported in the FY 2008 PAR.

*Note:* This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* OASDI payment accuracy rate is determined by an annual review of a statistically valid sample of the beneficiary rolls; i.e. the findings are representative of the universe of the payments issued with 95 percent precision and confidence limits of +/-0.2 percent for overpayments and +/-0.1 percent for underpayments. Separate rates are determined for overpayment error dollars and underpayment error dollars. The accuracy rates are computed by dividing error dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate.

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Plan for FY 2007*, the *Data Definition* was incorrect in that it included projected confidence levels. The confidence level for each fiscal year cannot be

determined until the review has been completed. The *Data Definition* now includes the FY 2006 confidence levels of +/-0.2 percent for overpayments and +/-0.1 percent for underpayments.

*Data Source: OASDI Stewardship Report*

*Note:* The basis of the Retirement and Survivors Disability Insurance (RSDI) payment accuracy (stewardship) report is a monthly randomly selected sample of cases from RSDI payment rolls of all beneficiaries in current pay status. The cases are reviewed for non-medical factors of eligibility and, for each case, the beneficiary or representative payee is interviewed (75 percent by phone and 25 percent by home visit), collateral contacts are made, as needed, and all factors of eligibility are redeveloped for the current sample month.

**2.1f – Percent of outstanding Old-Age, Survivors and Disability Insurance (OASDI) debt in a collection arrangement**

**FY 2007 Goal:** 44%

**Performance:** 44%\*

**Goal Achieved:** Yes

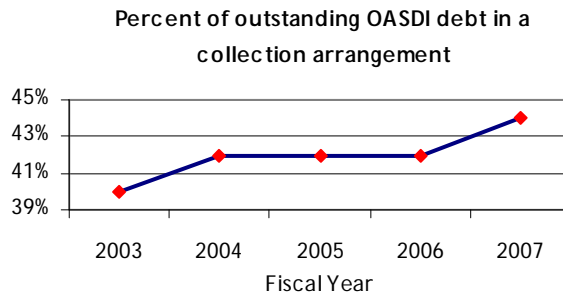
*Discussion:* As with the *Percent of outstanding Supplemental Security Income (SSI) debt in a collection arrangement* performance measure, the collection of the debt incurred when an improper OASDI payment is made is part of the Agency’s plan under the President’s Management Agenda *Eliminating Improper Payments* program initiative.

Through a rigorous debt collection program, SSA is committed to making every effort to recover OASDI Trust Fund monies incorrectly paid out. The Agency’s success in meeting this goal can be attributed to the hard work of its employees in conjunction with several debt collection techniques, including:

- Recovering overpayments through an offset to Federal tax refunds and other Federal payments;
- Identifying and resolving overpayments received by representative payees on the record of deceased OASDI beneficiaries;
- Requesting employers to offset the wages of delinquent debtors;
- Withholding ongoing and retroactive OASDI benefits;
- Referring delinquent debts to credit bureaus; and
- Using a new debt collection measurement tool that enables the Agency to better target those portions of its debt portfolio that can be collected.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	40% *	↑
2004	42% *	↑
2005	42% *	↑
2006	42% *	↓
2007	44% *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Data Definition:* This is the percent of outstanding OASDI debt that is scheduled for collection by benefit withholding or installment payment. The rate is expressed as the average for the year, i.e., the percent is calculated monthly and the annual performance is derived by averaging the results for the most recent 12 months. Outstanding OASDI debt is grouped into four main categories: newly established debt; debt that involves a current due process request such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories.

*Note:* Data are shown as a 12-month rolling average.

*Data Source:* The *Recovery of Overpayments, Accounting, and Reporting* system.

**Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN) issuance process to help prevent misuse and fraud of the SSN and card**

**2.2a – Percent of original SSNs issued that are free of critical error**

<b>FY 2006 Goal:</b>	98%
<b>Performance:</b>	98%*
<b>Goal Achieved:</b>	Yes
<b>FY 2007 Goal:</b>	98%
<b>Performance:</b>	Data available Sept 2008**
<b>Goal Achieved:</b>	To Be Determined

*Discussion:* The SSN was developed as a tool to track the earnings records of individuals for the purpose of determining future benefits that may be due to those individuals and their families. Although SSA’s purpose for assigning a number and issuing a card has not changed, over time, the SSN has become a primary means of identification in both the public and private sectors. As use of the SSN has grown, so has identity theft and SSN fraud. SSA’s role in preventing SSN misuse is to ensure that SSNs are assigned and cards are issued correctly.

Each year, the Agency strengthens current initiatives and implements new methods to safeguard SSN assignment and card issuance processes. For instance, fraud indicators are now displayed on queries and SSN verifications to further deter SSN fraud and misuse. SSA verifies evidentiary documents with the Department of Homeland Security and other Federal Agencies for non-U.S.-born individuals or with State Bureaus of Vital Statistics for all U.S.-born individuals prior to issuing an original Social Security card. SSA also works with the Department of State to verify the status of newly arrived refugees. In addition, in accordance with the provisions of the Intelligence Reform and Terrorism Prevention Act of 2004, fraud codes and death indicators were placed on SSN records to further prevent fraud and misuse.

Refer to *Agency Challenges, I. Social Security Number Protection* pages 19 and 20 for more information on the process of assigning and issuing SSNs.

*Trend:* This was a new measure for FY 2006.

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2006	98% *	↑
2007	To Be Determined **	

\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

\*\* Actual data for FY 2007 will not be available until September 2008 and will be reported in the FY 2008 PAR.

*Data Definition:* The rate is based on an annual review of applications for original SSN cards to verify that: 1) the applicant did not receive an SSN that belonged to someone else; 2) if the applicant had more than one SSN, the numbers were cross-referenced; and 3) the applicant was entitled to receive an SSN based on supporting documentation, i.e., the Field Office verified appropriate documentation – Department of Homeland Security document for foreign born and birth certificate for U.S. born, and made a correct judgment of entitlement to an SSN. SSNs issued through the Enumeration-at-Birth (EAB) and Enumeration-at-Entry (EAE) processes are included in the review, as well as field office processed SS-5 transactions for original SSNs.

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Plan for FY 2007*, the *Data Definition* was incorrectly stated. The *Data Definition* has been corrected above to include SSNs issued via EAB and EAE.

*Data Source:* *Enumeration Process Quality Review*, which is based on a sample of approximately 1,500 SSN transactions that have resulted in the issuance of an original SSN.

## 2.2b – Percent of SSN receipts processed up to the budgeted level

**FY 2007 Goal:** 96%\*

**Performance:** 97%\*\*

**Goal Achieved:** Yes

\* The budgeted level for FY 2007 was 18,000,000. The goal of 96% of the budgeted level was 17,280,000.

\*\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Discussion:* SSA worked diligently to achieve this goal for FY 2007. As the threat of identity theft continues to become more widespread, stricter standards for acceptable identification and verification made this task more difficult and time-consuming.

As a result of legislation and policy changes, revisions to the SSN and card issuance process continue to be made. Through the recommendation of an Interagency Task Force, SSA began to limit the number of replacement SSN cards an individual may receive to a maximum of three in a single year and a total of ten over a person's lifetime. In addition, policy changes have significantly decreased the number of non-work SSNs the Agency assigned to non-citizens. In April 2007, two improvements were made to the Social Security card issuance process:

- An issue date was added to the front of each card; and
- Signing instructions were added to clarify when adults and children should sign their cards.

Effective October 2007, further enhancements to the SSN card included a display of the first and last name on two lines and included additional security features.

Refer to *Agency Challenges, I. Social Security Number Protection* pages 19 and 20 for more information on the process of assigning and issuing Social Security Numbers.

*Trend:* This was a new measure for FY 2007.

*Data Definition:* In the Regional Offices, Field Offices and the Office of Central Operations, the original and replacement SSN requests processed compared to the receipts in a fiscal year. This also includes Enumeration-at-

Birth (EAB) activity, Enumeration-at-Entry (EAE) activity, and the count of fraud investigations not resulting in issuance of an SSN, an EAB or an EAE

Data Source: Social Security Unified Measurement system Enumeration Operational Data Store.

**Strategic Objective 2.3: Ensure the accuracy of earnings records so that eligible individuals can receive the proper benefits due them**

**2.3a – Remove 3 percent of the earnings items that remain in the *Earnings Suspense File* (ESF) for a new tax year and post the earnings to the correct earnings records**

**FY 2007 Goal:** 3%

**Performance:** 1%\*

**Goal Achieved:** No

*Discussion:* The ESF is an electronic holding file for earnings reported by an employer that cannot be posted to an individual worker’s record due to a mismatch of the worker’s name and/or SSN. Since the record of worker’s earnings determines the benefits that are payable to Old-Age, Survivors and Disability Insurance beneficiaries, it is essential that SSA be able to accurately match the earnings reported by employers to the correct individual record.

Although the Agency did not meet this goal for FY 2007, SSA recognizes that the best means of keeping the ESF as small as possible is through a preventative strategy designed to improve the accuracy of the reporting of future earnings. SSA provides a variety of tools to employers to help them match the names of their employees with the SSN they have on file for that employee. This matching activity will help ensure that employers report the earnings of their employees to the correct SSN record. These methodologies include:

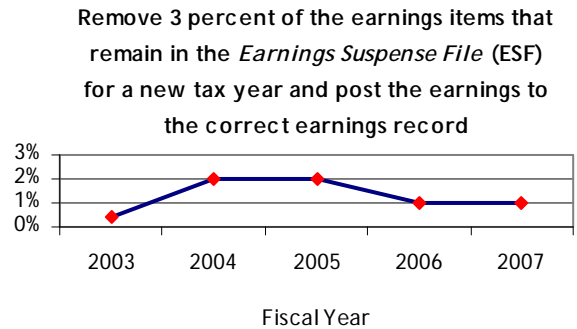
- The Social Security Number Verification Service, which allows employers to verify employee names and SSNs;
- Business Services Online, which allows employers to verify an employee’s SSN online; and
- W-2C Online, which allows employers to correct errors in the W-2 forms of their employees electronically.

Refer to *Agency Challenges, I. Social Security Number Protection* page 19 and *VII. Service Delivery and Electronic Government* page 25 for more information about these tools for employers.

In addition to these initiatives to prevent earnings from being placed in the suspense file, SSA will continue to dedicate resources to removing those items that are currently in the ESF.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	0.4%	↓
2004	2% *	↓
2005	2% *	↓
2006	1%	↓
2007	1% *	↓



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Note:* This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* Items remaining in suspense are wages or self-employment earnings not matched to an earnings record after all routine matching operations are complete. The 3 percent reduction will be achieved by using new matching routines developed by the Office of Quality Performance. The percentage is determined by comparing the number of items added to suspense for a tax year (TY) to the number later removed by the new process.

*Note:* There is a 4-year lag between the tax year and the year calculated, i.e., for 2005, the tax year is 2001; for 2006, the tax year is 2002; and for 2007, the tax year is 2003.

*Data Source:* Compare the number of items in the ESF for a new tax year after all processes are completed to the number of items removed by the new process developed by the Office of Quality Performance and the Office of Systems.

## Strategic Objective 2.4: Manage Agency finances and assets to link resources effectively to performance outcomes

### 2.4a – Continue to achieve 2 percent, on average, annual productivity improvement

**FY 2007 Goal:** 2% on average

**Performance:** 1.89% on average

**Goal Achieved:** No

*Discussion:* The Agency came very close to achieving the FY 2007 goal for this measure with an annual productivity improvement of 1.89 percent. SSA is proud of the increases in productivity that have been achieved since the base year of FY 2001. To be able to increase employee productivity in an environment where the Agency's workloads continue to grow is of great benefit to the public. Unfortunately, the aging of the baby boom generation is also leading to increased retirements among SSA's employees. Within ten years, 54 percent of the Agency's employees will be eligible for retirement. Many of these positions require two to three years of training before the employee can be fully productive. Replacement of these losses will be essential to the SSA's ability to continue to increase productivity and best serve the public. SSA will continue the actions that have been successful in the past of planning, supporting, and implementing several workload processing initiatives each year.

*Trend:* Since FY 2001, the base year, SSA has exceeded the goal of improving productivity by two percent on average for five out of six years.

*Note:* This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* The percent change in productivity is measured by comparing the total number of SSA and Disability Determination Services (DDS) workyears that would have been expended to process current year SSA-level workloads at the prior year's rates of production to the actual SSA and DDS workyear totals expended. The average annual productivity is calculated using a five-year rolling average.

*Data Source:* Agency Cost Accounting System

### 2.4b – Disability Determination Service (DDS) case production per workyear (PPWY)

**FY 2007 Goal:** 252

**Performance:** 249\*

**Goal Achieved:** No

*Discussion:* This performance measure's focus on productivity directly links it to Agency stewardship. Although SSA did not meet this goal, the FY 2007 average case PPWY of 249 shows an improvement of 3.3 percent over the FY 2006 average case PPWY of 241. In addition, PPWY continued to climb during the last six months of this fiscal



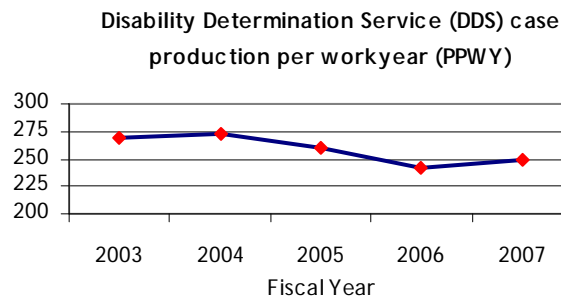
year. Many States have now returned to their pre-eDib case PPWY since becoming Independence Day Assessment certified; a verification that a DDS site is ready to operate in a fully electronic environment. For instance, for the quarter ending June 30, 2007, the PPWY was 265.

One factor that affected the number of cases processed per individual was the Agency’s decision to focus on clearing older cases, which take more time to process. Also, on a national basis, over 47 percent of DDS medical examiners have less than five years experience and over 23 percent have less than two years. As part of the new eDib initiative, the training for all disability examiners in the new electronic document management system was completed in FY 2007. As DDS employees are now near the end of the learning curve in the move from the more-familiar paper process to the new fully electronic disability system and have gained more experience as adjudicators, PPWY is expected to continue to increase accordingly.

Refer to *Agency Challenges, II. Management of the Disability Process* on page 21 and *Agency Challenges, III. Improve the Disability Determination Service Process and Return to Work* on page 22 for more information about Agency initiatives that will improve DDS PPWY.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	270 *	↑
2004	273 *	↑
2005	260 *	↓
2006	241 *	↓
2007	249 *	↓



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Note:* This is a Disability Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* This indicator represents the average number of DDS case production per workyear expended for all work. A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.). It is inclusive of everyone on the DDS payroll, including doctors under contract to the DDS.

*Data Source:* National Disability Determination Services System and Disability Operational Data Store

**2.4c – SSA hearings case production per workyear (PPWY)**

**FY 2007 Goal:** 106  
**Performance:** 101\*  
**Goal Achieved:** No

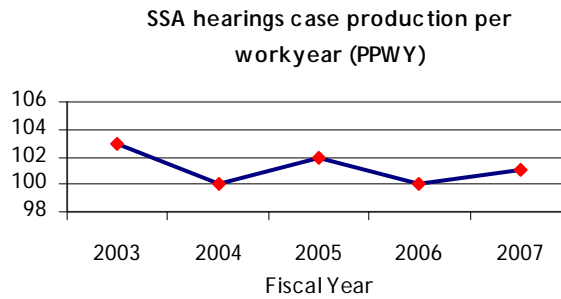
*Discussion:* The Agency is actively working on implementing enhancements to the hearings process that will allow employees to increase the average number of hearings they process in a year. The most significant improvement is the availability of case records through electronic files. As paper files are eliminated and employees become more comfortable with the new process, the Agency expects significant increases in employee productivity.

In addition to the electronic process, SSA is actively making greater use of video hearings, which will save Administrative Law Judges’ time by reducing their need to travel.

Refer to *Agency Challenges, IV. Disability Insurance* on page 23 and *Agency Challenges, VII. Service Delivery and Electronic Government (OIG & GAO)* on page 25 for more information about improvements to the hearings process.

*Trend:*

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2003	103 * **	↑
2004	100 * **	↓
2005	102 * **	↓
2006	100 *	↓
2007	101 *	↓



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

\*\* FY 2003 – FY 2005 included Medicare and SSA hearings.

*Note:* This is a Disability Insurance and Supplemental Security Income Program Assessment Rating Tool performance measure.

*Data Definition:* This indicator represents the average number of SSA hearings case production per workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, Administrative Law Judge (ALJ) travel, leave, holidays, etc.

*Data Source:* *Office of Disability Adjudication and Review, Monthly Activity Report, the Case Processing and Management System, Payroll Analysis Recap Report, Travel Formula* (based on the assumption that ALJs spend an average of ten percent of their time in travel status), and *Training Reports* (Regional reports on new staff training, ongoing training, and special training).

**2.4d – Enhance efforts to improve financial performance using *Managerial Cost Accountability System (MCAS)***

**FY 2007 Goal:** Complete 58% of the MCAS projects

**Performance:** 29% of the MCAS projects completed

**Goal Achieved:** No

*Discussion:* Achievement of MCAS project percentage goals is dependent on the full completion and successful implementation of major releases. When the performance plan was developed for FY 2007, two such major releases were planned. While progress was made during FY 2007 toward both of these releases, due to budgetary restraints critical SSA systems development resources had to be shifted away from the MCAS project to work on more critical projects. As a result, completion of the release that will increase MCAS’ completion from 29 percent to 54 percent is currently scheduled for completion in late FY 2008. Completion of the second release, which will further increase MCAS’ completion to 58 percent, is currently scheduled for completion in FY 2009.

MCAS has a common goal with the Social Security Unified Measurement System in that both systems are designed to:

- Provide more accurate and consistent information;
- Improve access to management information;
- Improve work resource allocation;

- Improve customer service; and
- Reduce manual work.

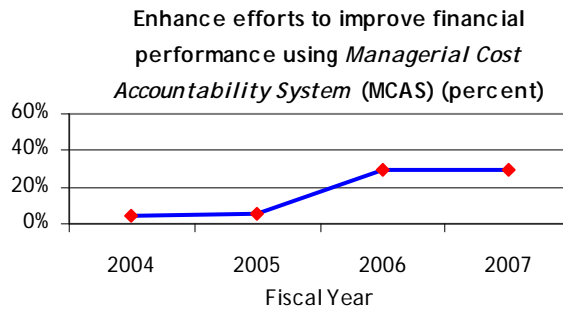
The MCAS projects will establish and integrate modern, state-of-the-art managerial accountability, performance tracking, and cost accounting practices into SSA’s basic business practices. MCAS is essential to the positioning of the Agency’s resources and processes to meet the growing and emerging workloads in an environment of continuing resource constraints. MCAS will also provide essential data which the Agency needs to track its progress and efficiency in meeting most of its other goals and objectives. As a result, it will be an essential element in monitoring and reporting on the Agency’s progress in pursuing and implementing these goals and initiatives as well as determining the resources which each consumes.

MCAS is supported by the Time Allocation System, which is a management information system that is being developed to improve the way workload data is captured for such purposes as determining resource requirements and measuring productivity. The Time Allocation System links work resources and costs together to provide SSA managers and analysts with accurate, detailed, timely, and relevant data about how SSA’s direct service work resources are used to perform SSA’s workloads.

*Trend:* This was a new measure for FY 2004.

**Fiscal Year Performance Goal Achieved?**

Fiscal Year	Performance	Goal Achieved?
2004	4%	n/a
2005	5%	↓
2006	29%	↑
2007	29%	↓



*Data Definition:* MCAS provides improved managerial accountability cost accounting and financial management information for SSA, its component organizations, and the programs, as well as workloads that it supports, in separate projects that may have multiple releases. A methodology is used that weights individual projects to create a combined percentage to track the overall completion of this initiative. This formula scores the deliverables within each project.

*Data Source:* SUMS/MCAS project plan tracking and releases as reported to the SUMS/MCAS Executive Steering Committee

**2.4e – Receive an unqualified opinion on SSA’s financial statements from the auditors**

**FY 2007 Goal:** Receive an unqualified opinion

**Performance:** Received an unqualified opinion

**Goal Achieved:** Yes

*Discussion:* For the 14<sup>th</sup> successive year, SSA received an unqualified opinion on the Agency’s financial statements. In accordance with the *Chief Financial Officers’ Act*, SSA’s financial statements were independently audited by PricewaterhouseCoopers LLP. In their audit, PricewaterhouseCoopers found that SSA’s financial statements, as contained in this FY 2007 PAR, were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The Agency takes its stewardship responsibility of the Social Security programs very seriously and will continue to demonstrate an unyielding dedication to sound financial management practices. Refer to the *Auditor’s Reports* section, beginning on page 157, for more information on SSA’s financial statements audit.

*Trend:* SSA has received an unqualified audit opinion every year from FY 1994 – FY 2007.

*Data Definition:* An unqualified opinion on the financial statements is provided when an independent auditor determines that the financial statements are presented fairly, and, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

*Data Source:* Auditors' work papers

*Note:* SSA's Office of Inspector General has a contract with an outside auditing firm to audit the Agency's financial statements.

#### 2.4f – Get to “green” on the *President's Management Agenda (PMA)* initiatives status scores

**FY 2007 Goal:** Achieve a status score of “green” on five of five PMA initiatives

**Performance:** Achieved a status score of “green” on four of five PMA initiatives

**Goal Achieved:** No

*Discussion:* The PMA lists and describes those Government-wide initiatives determined to have the greatest potential to improve Federal management and deliver results in areas deemed to be important to the public. It guides the activities of Federal agencies to ensure accountability for each Agency's performance on five vital topics.

The Office of Management and Budget (OMB) uses a scorecard to track each agency's efforts to implement the PMA initiatives. OMB assesses agency "status" based on the scorecard standards for success, which can be found at: <http://www.whitehouse.gov/results/agenda/standardsforsuccess08-2007.pdf>. Under each of these standards, an agency is "green" or "yellow" if it meets all of the standards for success listed in the respective column and "red" if it has any one of a number of serious flaws listed in the "red" column.

Although the Agency did not achieve the goal of obtaining a status score of “green” on all five PMA initiatives, SSA is proud to have maintained the “green” status on four of the five initiatives and has devoted considerable time and resources working to achieve a score of “green” on the fifth initiative – *Expanded Electronic Government*. Refer to *Agency Challenges, VII. Service Delivery and Electronic Government* on page 25 for more information about SSA's electronic government efforts.

*Trend:* The following table summarizes SSA's status scores under the PMA for FY 2003 through FY 2007:

SSA's President's Management Agenda - Status Scores					
	September 2003	September 2004	September 2005	September 2006	September 2007
Strategic Management of Human Capital	 Yellow	 Green	 Green	 Green	 Green
Competitive Sourcing	 Red	 Yellow	 Yellow	 Green	 Green
Improved Financial Performance	 Green	 Green	 Green	 Green	 Green
Expanded Electronic Government	 Yellow	 Yellow	 Yellow	 Yellow	 Red
Performance Improvement Initiative <sup>1</sup>	 Yellow	 Green	 Green	 Green	 Green

Note: The PMA scorecard can be found at: <http://www.whitehouse.gov/results/agenda/scorecard.html>.

Data Definition: Being scored “green” on the PMAs.

Data Source: The Office of Management and Budget’s PMA initiative scorecard for SSA

**Strategic Goal 3: *To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations***

**Strategic Objective 3.1: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs**

**3.1a – Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security**

**FY 2007 Goal:** Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms

**Performance:** Completed

**Goal Achieved:** Yes

*Discussion:* The policies established by the Administration and Congress in their work to maintain the solvency of the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds are of great importance to SSA’s primary purpose of implementing the Social Security programs and the Agency’s mission: *To advance the economic security of the Nation’s people through compassionate and vigilant leadership in shaping and managing America’s Social Security programs.*

<sup>1</sup> Effective July 1, 2007, the name of this initiative was changed from *Budget and Performance Integration* to the *Performance Improvement Initiative*.

To assist the Administration and Congress in making informed decisions on major policy issues, the Agency provides policymakers with the information they need to understand the broad impact and effects of potential reform proposals to the OASDI programs. SSA provides analysis and research on policy initiatives and produces briefing materials for congressional hearings to educate policymakers about the scope, impact, and dynamics of the OASDI programs.

*Trend:* SSA has met this goal every year from FY 2003 - FY 2007 by conducting analyses related to Social Security reforms.

*Data Definition:* Completed reports and analysis of present law provisions, as well as proposed and pending legislation and other proposals relating to solvency of the system.

*Data Source:* Office of Policy records (consists primarily of various micro simulation models, e.g., *Modeling Income in the Near Term*, *Financial Eligibility Model*, and *Social Security and Accounts Simulator*, as well as surveys, e.g., *Survey of Income and Program Participation*, *Health and Retirement Study*).

### 3.1b – Issue annual SSA-initiated *Social Security Statements* to eligible individuals ages 25 and older

**FY 2007 Goal:** 100%

**Performance:** 100%\*

**Goal Achieved:** Yes

*Discussion:* This performance measure was created to ensure that all eligible individuals are issued an annual *Social Security Statement* as required by law. SSA has met its goal every year since FY 2005 when this measure was established. In FY 2007, SSA met the 100 percent goal by issuing *Social Security Statements* to over 146 million individuals who were eligible to receive the *Statement*.

The *Social Security Statement* contains:

- An estimate of potential monthly Social Security retirement, disability, survivor and auxiliary benefits and a description of benefits under Medicare;
- The amount of wages paid to the employee or income from self-employment; and
- The aggregate taxes paid toward Social Security and Medicare.

The objectives of the *Social Security Statement* are to:

- Verify and ensure the accuracy of a worker's earnings record. The *Statement* plays a vital role in helping individuals to verify their earnings record for accuracy and completeness. Individuals are encouraged to review their earnings history to avoid incorrect benefit payments in the future. This information, which is at the top of the page to make it easier to see, includes instructions for recipients to report any earnings discrepancies as soon as possible.
- Educate the public about Social Security programs. The *Statement* contains information about the various benefits to which a worker may be entitled.
- Assist in financial planning. The *Statement* provides workers with potential retirement, disability and survivor benefits. It also contains information about planning for retirement. By reviewing this information, individuals can see if they are on track to meet their retirement goals.

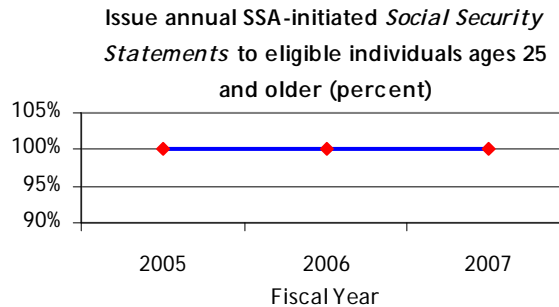
To ensure that the *Statement* is meeting its objectives and providing value to the American public, the Agency has an ongoing *Statement* evaluation plan that includes focus group testing and formal surveys. The plan also provides for an analysis of existing internal sources of management information. For example, a monthly Operations report

shows how many Internet inquiries are received from people who claim their wages are not listed correctly on their *Statements*.

Revisions to the *Statement* are considered and made as appropriate and necessary, based on these assessments and in conjunction with mandated changes. In FY 2007, the Agency made some formatting changes, taking into consideration changes mandated by law, along with suggestions made by the Government Accountability Office. In addition, SSA’s Commissioner updated the message on the front page of the *Statement* to include important information about the need for people to save and invest to have enough money to live comfortably in retirement. Also, the *Statement* now includes a paragraph advising readers on how to learn more about, or apply for, the extra help that is available to some Medicare beneficiaries for Medicare Part D.

*Trend:* This was a new measure for FY 2005.

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Achieved?</u>
2005	100%	↑
2006	100%	↑
2007	100% *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Note:* This is an Old-Age and Survivors Insurance Program Assessment Rating Tool performance measure.

*Data Definition:* As required by law, SSA issues annual *Social Security Statements* to all eligible individuals (Social Security Number holders age 25 and older who are not yet in benefit status and for whom SSA can determine a current mailing address). The *Statement* contains information about Social Security benefit programs, financing facts, and provides personal benefit estimates.

*Data Source:* Executive and Management Information System

**Strategic Goal 4: To strategically manage and align staff to support the mission of the Agency**

**Strategic Objective 4.1: Recruit, develop and retain a high-performing workforce**

**4.1a – Minimize skill and knowledge gaps in mission-critical positions**

**FY 2007 Goal:** Identify skill and competency gaps and develop an implementation plan for addressing gaps in mission critical occupations – Actuaries and Economists

**Performance:** Completed

**Goal Achieved:** Yes

*Discussion:* In order to address gaps in mission critical occupations, the Agency must properly target training and evaluation programs. To accomplish this, SSA needs to identify the job-specific knowledge, skills, and abilities necessary for successful performance in each of these positions.

A competency-based plan for training shifts the learners from achieving a single instructional objective to focusing on the acquisition of competencies during the training. The competencies for these positions were identified through

an extensive data collection effort involving both technicians and management officials. In FY 2007, position incumbents were assessed on their level of proficiency across each of the competencies identified as critical for success in the position. Based on the results of those assessments, implementation plans were developed for addressing any competency gaps that were uncovered during the assessment process.

*Note:* The full list of Mission Critical Occupations can be found in the Agency's Strategic Human Capital Plan, which is an internal document that is shared with the Office of Management and Budget and the Office of Personnel Management. Competencies have been identified for the Claims Representative, Service Representative, Teleservice Representative, Benefit Authorizer, Claims Authorizer, Technical Support Technician, Information Technology Specialist, Actuary, and Administrative Law Judge positions. In FY 2007, focus was on skills gap analyses for Actuaries and Economists. Other occupations will be targeted as part of a long-range plan to assess and improve skill gaps for all Mission Critical Occupations.

*Trend:* In FY 2007, SSA met the goal to identify skill and competency gaps for Actuaries and Economists and developed an implementation plan for addressing those gaps.

*Data Definition:* A competency is a pattern of knowledge, behaviors, skills, abilities, attributes, or traits associated with high or superior performance on the job. Competencies are identified through a structured interview and analysis process by working with SSA components and outside sources. A gap is the difference between the Agency's desired needs and current proficiency levels in the selected competency.

*Data Source:* Office of Human Resources records, which include the following: definitions of competencies identified for the targeted mission critical positions; results of skill gap analysis surveys; skill gap improvement, implementation, and/or results plans provided to the Office of Personnel Management as part of the *President's Management Agenda* (PMA) scoring; and the *Mission Critical Occupation Resource Chart* provided to OPM quarterly as part of the PMA scoring.

#### 4.1b – Align employee performance with Agency mission and strategic goals

**FY 2007 Goal:** Implement the *Performance Assessment and Communication System* (PACS), which is a multi-tiered results-oriented performance assessment system for General Schedule (GS) and Federal Wage System employees below the GS-15 or equivalent grade, and GS-15 employees who are covered by the *2005 SSA/American Federation of Government Employees (AFGE) National Agreement*

**Performance:** Completed

**Goal Achieved:** Yes

*Discussion:* In FY 2006, SSA executed communication and training plans that addressed technical changes to the performance management process and communications skills. These activities facilitated implementation of the new multi-tiered, results-oriented PACS in early FY 2007. Since the implementation, SSA has closely monitored the web-based tool used by managers to document performance appraisal activities ensuring that performance plans are consistent with regulations and the applicable collective bargaining agreements. Refer to *Agency Challenges, XI. Human Capital* page 29 for more information on the Agency's efforts to align employee performance with SSA's mission and strategic goals.

*Trend:* In FY 2007, PACS was successfully implemented.

*Data Definition:* The PACS is a multi-tiered, results-oriented performance assessment system for General Schedule (GS) and Federal Wage System employees below the GS-15 or equivalent grade and GS-15 employees who are covered by the *2005 SSA/American Federation of Government Employees (AFGE) National Agreement*. This performance appraisal system provides for ongoing interaction and communication between the supervisor and employee on performance expectations. The PACS includes performance plans consisting of: 1) *elements*, i.e.,



work assignments and responsibilities that are critical to achieving the Agency’s mission and goals and 2) *standards*, i.e., how employee accomplishments are to be measured in terms of quality, quantity, and timeliness. PACS also includes *expectations*, i.e., the outcomes managers expect of each employee based on the elements, standards, and employee’s job duties and responsibilities. Employees are issued alignment statements to show how the employees’ performance relates to the Agency’s mission, values, goals, and objectives. PACS will help align employee performance plans to Agency strategic goals and objectives and make distinctions between levels of performance. PACS performance plans and records are maintained in an automated PACS system.

*Data Source:* Office of Human Resources records, which include reports and queries from the PACS web-based application showing the number of employees to whom performance plans have been issued, performance discussions held, etc.

*Note:* In the *Annual Performance Plan for FY 2008 and Revised Final Performance Plan for FY 2007*, the *Data Source* was incorrectly stated. The *Data Source* has been corrected above to delete information that references discussion points and data sources specific to the FY 2006 performance measure.

**4.1c – Enhance SSA’s recruitment program to support future workforce needs**

**FY 2007 Goal:** Develop methodology to evaluate selected elements of the SSA recruitment strategy

**Performance:** Completed

**Goal Achieved:** Yes

*Discussion:* As SSA strives to adequately prepare for the workforce of the future, several factors have increased awareness of the importance of strong human capital planning to achieve its business objectives. One of the greatest challenges facing the Agency is the potential loss, by 2015, of 54 percent of SSA’s employees to retirement. Not only is this over half of the Agency’s employees; but also, these are the employees that are the most experienced and knowledgeable about the administration of SSA’s programs. Adding to the impact of this large retirement wave is the increasing volume of the Agency’s workload due to the disability and retirement needs of the baby boomers. The situation is bleaker due to overall Agency resource constraints that have limited the ability of the Agency to hire new employees during FY 2007. Despite the ongoing retirement wave, SSA does not expect to be able to replace retiring employees or hire additional staff throughout FY 2008.

To ensure that SSA is poised to act quickly should the budget allow, the Agency is prepared with an aggressive recruitment strategy, the National Recruitment Program, which includes a ten-step plan, a vast cadre of recruiters across the nation, and the ongoing expansion of tools to ensure that SSA continues to be a leader in recruitment initiatives Government-wide.

As one of the major human capital initiatives linked directly to the Agency’s strategic goal to “recruit, develop, and retain a high-performing workforce,” it is important that SSA’s National Recruitment Program continues to be effective. As a result, in FY 2007 SSA developed a comprehensive methodology to evaluate selected elements of its recruitment strategy. The Agency will begin implementation of this evaluation in FY 2008.

Refer to *Agency Challenges, XI. Human Capital* on page 29 for more information.

*Trend:* This was a new measure for FY 2007.

*Data Definition:* The process used to develop the evaluation methodology in FY 2007 will include the following steps: 1) research, draft an evaluation strategy, and identify metrics necessary to evaluate the SSA Recruitment Strategy; 2) document the draft plan for evaluating the Recruitment Strategy and request feedback from Regional/component recruitment leads and Human Resource directors; and 3) analyze feedback and document the final Recruitment Evaluation Strategy to be implemented by the Agency in FY 2008. The evaluation methodology will identify the specific elements of SSA’s multifaceted recruitment strategy that will be evaluated, as well as the

appropriate evaluation methods to be used for those elements. The evaluation strategy and plan will also include a timeline to be used in FY 2008.

*Data Source:* Office of Human Resources records, which include the documented evaluation strategy and plan, the evaluation timeline, the collected data (i.e., the research and the feedback from recruiters and Human Resources directors), and the reported results (i.e., the final evaluation strategy and plan).

The Program Assessment Rating Tool (PART) is a diagnostic tool designed by the Office of Management and Budget (OMB) to examine different aspects of program performance to identify the strengths and weaknesses of a given Federal program. The Disability Insurance (DI) program was assessed in 2003; the Supplemental Security Income (SSI) program was assessed in 2004 and in 2007; and the Old-Age and Survivors Insurance (OASI) program was assessed in 2006. The DI, SSI, and OASI program assessments are available online at ExpectMore.gov (<http://www.whitehouse.gov/omb/expectmore/>).

The findings from these program assessments are consistent with the areas SSA identified as requiring attention. SSA continues to work with OMB to ensure that plans are developed, implemented, and updated to improve program performance and address the following PART findings:

### **DI PROGRAM**

- Simplifying the process for determining if an individual is disabled to improve the accuracy and speed of decisions;
- Testing several demonstration projects and removing other barriers to assist Disability Insurance beneficiaries in returning to work; and
- Publishing rules to update the way age is considered in making disability determinations and considering other rule changes.

### **OASI PROGRAM**

- Educating the American people on the solvency issues facing the OASI program and working with the Administration and Congress on legislative reform proposals necessary to achieve long-term solvency;
- Updating the tactical plan for electronic services to include information technology and non-information technology projects that will be developed and implemented in FY 2008 and FY 2009; and
- Developing new automated techniques to detect and correct errors in name/Social Security Number matching.

### **SSI PROGRAM**

- Simplifying the process for determining if an individual is disabled to improve the accuracy and speed of decisions;
- Connecting beneficiaries with expanding employment opportunities for individuals with disabilities; and
- Addressing payment accuracy issues by developing proposals to simplify the program's eligibility rules.

SSA's strategic plan, annual performance plan, and budget requests all address the findings from the assessments. The performance measures and targets for the PART assessments were provided by SSA and used by the OMB and SSA to evaluate the effectiveness of the DI, OASI, and SSI programs. In addition to the 15 *Government Performance and Results Act* (GPRA) performance measures and targets, identified by the **PART** symbol on the charts on pages 49-53 and discussed in detail on the page number indicated on those charts, the PART assessment also included two non-GPRA performance measures.

**PART Measures**

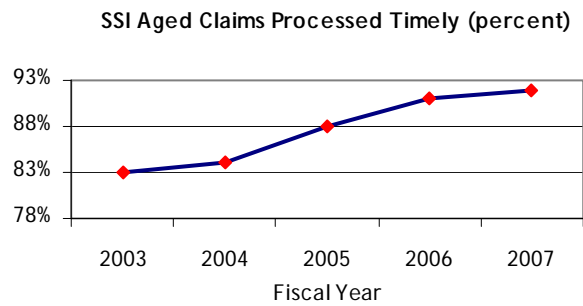
**Percent of SSI Aged claims processed by the time the first payment is due or within 14 Days of the effective filing date**

**FY 2007 Goal:** 75%  
**Performance:** 92%\*  
**Goal Achieved:** Yes

*Discussion:* Supplemental Security Income (SSI) payments are made to qualified people who have limited income and financial assets. The Agency has provided and will continue to provide sufficient resources through this program to ensure that the needs of this segment of the population are met and that the claims are processed as quickly as possible. SSA’s performance reflects a national commitment to make timely and accurate payments to SSI Aged recipients (i.e. qualified individuals over the age of 65).

*Trend:*

Fiscal Year	Performance	Goal Achieved?
2003	83% *	↑
2004	84% *	↑
2005	88% *	↑
2006	91% *	↑
2007	92% *	↑



\* The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

*Data Definition:* This rate reflects the number of SSI Aged applications completed through the SSA operational system (i.e., award or denial notices are triggered) before the first regular continuing payment is due or not more than 14 days from the effective filing date, if later, divided by the total number of SSI Aged applications processed. The first regular continuing payment due date is based on the first day of the month that all eligibility factors are met and payment is due. This definition came into effect beginning FY 2001.

*Data Source:* The SSI Operational Data Store System.

**Cumulative productivity improvement for Retirement and Survivors Insurance claims (compared to FY 2005)**

**FY 2007 Goal:** 3%  
**Performance:** 1.4%  
**Goal Achieved:** No

*Discussion:* The aging of the baby boomer generation will result in increases in retirement and survivors claims. The achievement of this performance goal is especially challenging due to the increase in these workloads, which is complicated by the steady addition of disability claims filed by the younger of the baby boomers as they enter their disability-prone years. In addition, SSA’s own workforce will experience its own retirement wave, which will create an additional hurdle for the Agency in meeting the program’s ambitious targets. In the face of anticipated rising workloads, the employee retirement wave, and constrained resources, SSA has set ambitious targets and timeframes for its long-term Old-Age and Survivors Insurance measure for increased productivity. The Agency has set a goal of cumulative productivity improvement of 16 percent through FY 2013.

*Trend:* This is a new PART measure for FY 2007.

*Data Definition:* Retirement and Survivors Insurance (RSI) claims are calculated at the Agency level and the percent increase will be calculated using FY 2005 (571 claims processed per workyear) as the base. A 16 percent increase from this base means that the goal in FY 2013 is for SSA to process 662 claims per workyear. The RSI claims productivity per workyear number includes all retirement benefit claims, survivors benefit claims, and initial claims for Medicare.

*Data Source:* The SSA Workload Trend Report

## PROGRAM EVALUATION

SSA continues to build on its body of program data, research, and analyses to identify strengths and weaknesses in its programs and processes, which are used in allocating Agency resources and rendering management decisions. The Agency uses this information to develop strategies that address the major challenges it faces and to improve the day-to-day administration of its programs. SSA evaluates the potential effects of proposals for change and the actual effects of change after implementation.

Many of SSA's evaluations are completed on an annual basis, while others are one-time efforts. The purpose of this section is to highlight some of the major internal program evaluations and how the results of these evaluations were used to assist management in decision-making.

Following are brief summaries of selected evaluations completed during FY 2007, arranged by the strategic goals they support as outlined in SSA's Strategic Plan. Copies of the complete results can be obtained by writing to:

Social Security Administration  
Office of Strategic Management  
4215 West High Rise  
6401 Security Boulevard  
Baltimore, MD 21235

### Strategic Goal 1: *To deliver high quality citizen-centered service*

#### **TICKET TO WORK EVALUATION**

As discussed in the *Agency Challenges, III. Improve the Disability Determination Service Process and Return to Work* section on page 22, an independent five-year evaluation of the Ticket to Work program, now in its fourth year, has provided SSA with ongoing feedback on the program's effectiveness and potential. SSA used the findings to pursue regulatory changes, which will strengthen the program.

The findings rely on extensive analysis of three basic data sources:

- Administrative data on SSA beneficiaries with disabilities;
- A new four-year survey of SSA beneficiaries with disabilities with a special focus on Ticket participants; and
- Field interviews with service providers, such as the Ticket program manager, SSA staff, and others with a stake in the Ticket program.

Analysis early in the process found beneficiaries' interest in the program encouraging, but the levels of participation by potential service providers, Employment Networks, was disappointing. In response to these findings, SSA and the independent contractor refined research activities to better understand the business constraints and needs of potential Employment Networks.

Five key findings have given SSA crucial guidance in developing changes to Ticket to Work regulations:

- Many beneficiaries are interested in employment, which will discontinue their entitlement to disability benefits;
- Beneficiaries who become gainfully employed tend to remain off for significant periods of time;
- A broad array of potential service providers are interested in joining the Ticket program if financial incentives improve;
- Original Ticket program payment options are insufficient to cover the cost of services provided by Employment Networks; and
- Despite these constraints, evidence suggests that the Ticket program has led to modest increases in the use of employment services by beneficiaries, but has not yet led to significant changes in disability benefits and earnings.

The net implication of these findings is that the Ticket program has significant potential but improvements to Employment Network incentives, such as increasing payments and reducing Employment Network financial risks, must be made. The proposed regulations will address these needs by increasing overall payment levels while providing a larger share of those payments early on as a means of reducing the financial risks faced by Employment Networks. Analysis by an independent contractor of the proposed changes to the Ticket regulations suggests that Employment Networks could cover their costs under the new regulations and this could lead to renewed interest in the program.

The Ticket evaluation has also found that the Work Incentives Planning and Assistance program are playing an important role in beneficiary employment decisions. In response, SSA has modified the Ticket evaluation to develop more in-depth analysis of the effects of the Work Incentives Planning and Assistance program.

The Ticket to Work evaluation has provided valuable feedback in its first years. Additional work is expected to help SSA refine and improve the program as longer term data on program outcomes become available.

### **SERVICE SATISFACTION SURVEYS**

The Office of Quality Performance conducts annual satisfaction surveys of 800-number callers, Field Office callers and visitors, and Hearing Office visitors, to support results for the Agency's overall service satisfaction performance measure. Results of the separate surveys are combined to produce a single measure. In FY 2007, SSA sustained a high level of customer satisfaction with an overall service rating of 81 percent *Excellent, Very Good, or Good*. This rating was comparable to the FY 2006 rating of 82 percent.

### **TELEPHONE SERVICES SATISFACTION SURVEYS**

In addition to the annual satisfaction surveys of 800-number and Field Office callers, ad hoc surveys are conducted to obtain feedback on the public's perceptions of new services and initiatives SSA has undertaken to improve the Agency's telephone service. These surveys include tailored questions about caller experiences to provide insight about their levels of satisfaction and service preferences.

In FY 2007, SSA reported findings from a survey related to implementation of the new voice recognition system on the national 800-number. The survey compared perceptions of callers who reached the new speech recognition system with those who reached the traditional touch-tone menu and found equal levels of overall satisfaction. Callers using the speech recognition system who had difficulty reaching the type of service they needed most often said it was because they had to repeat themselves or they could not figure out what to say. SSA has continued to refine the vocabulary of the speech recognition system to make it easier for callers to use and more efficient in serving their needs.

### **INTERNET SERVICES SATISFACTION SURVEYS**

SSA runs several *American Customer Satisfaction Index* (ACSI) surveys on the Agency's website, collecting data on informational pages as well as online applications. ACSI surveys are widely used in both the Federal and private sectors to measure public satisfaction with features of websites. The surveys provide agencies with standard,

statistical measurements of public satisfaction that are directly comparable to other ACSI users. The elements measured by ACSI surveys are:

- Overall Satisfaction;
- Content;
- Functionality;
- Look and Feel;
- Navigation;
- Search; and
- Future Behaviors (i.e., Likely to Return, Likely to Recommend to Others).

The third quarter Federal ACSI scores were released in September 2007 and SSA received top scores. The Internet Social Security Benefits Application topped all Federal websites with a score of 88, whereas the Medicare Prescription Plan Drug Costs Application followed closely with a score of 87. This is the fourth consecutive quarter these applications have led the way for Federal e-Commerce and transactions websites. Further, these two applications, together with SSA's Business Service Online and SSA's Retirement Planner, captured four of the top six spots in the e-Commerce category. SSA's aggregate score (80 for six surveys) was the second highest among all Federal agencies running multiple surveys.

In 2007, SSA added a new eServices ACSI survey for the *Internet Disability Report*. The *Internet Disability Report* score of 73 is lower than those of other SSA eServices applications, but is generally in line with SSA's information pages survey scores.

SSA uses data gathered through the ACSI surveys to help form Agency decisions on improvements to electronic services. In 2007, SSA has continued to use these surveys to improve search functionality in its *Frequently Asked Questions* application and to identify opportunities for improving customer support.

In addition to the ACSI to measure public satisfaction with online services, SSA conducts surveys to better understand public preferences for conducting business with the Agency and to obtain insight for marketing electronic services. For example, in FY 2007, SSA completed analysis of a survey of initial disability insurance claimants which obtained perceptions of the application process and compared the experiences of those who filed on the Internet with those who used a traditional filing method. In addition, the survey addressed issues related to experience and interest in using the Internet for transacting this type of business.

SSA also surveyed beneficiaries who had recently completed a change of address or direct deposit about their satisfaction with the way the transaction was handled and their preferences for conducting business after the initial entitlement determination. The survey sampled beneficiaries who had handled their transaction through an employee, either by telephone or in person, as well as those who had used the Internet or SSA's 800-number automated service. Survey results for the change of address and direct deposit samples are currently being analyzed.

The survey also included a sample of representative payees to gauge their level of interest in conducting various types of SSA business electronically. Survey results indicated there is a clear desire among representative payees for Internet and automated telephone services to assist them in conducting business on behalf of beneficiaries. The percentage of Internet users among both Old-Age, Survivors, and Disability Insurance and Supplemental Security Income payees was significantly higher than traditionally seen in the Agency's surveys of other general populations (such as 800-number callers) and a substantial portion of those payees said they would be likely to use the Internet to conduct business with SSA. The majority of payees also expressed interest in using automated telephone services.

### **DISABILITY PROCESS SATISFACTION SURVEYS**

SSA conducts a number of surveys to obtain public perceptions of the disability claims process at both the initial claims and hearing levels. These include a large-scale "report card" satisfaction survey of initial disability

applicants, conducted with a sample of claimants shortly after they file for benefits (the mid-process sample) and with samples of claimants after they receive the decision on whether benefits have been awarded and denied. The survey asks claimants to rate key aspects of service related to the disability claims process, such as clarity of explanations of how the decision is made and claims processing time. The “report card” survey, which is conducted annually, provides SSA with data to track changing perceptions of service over time.

Results for the first phase of the FY 2007 survey, the mid-process sample, have been compiled. These results reflect a very positive view of the initial disability claims process. Responders gave a rating of 85 percent for the ease of filing the disability claim and a rating of 86 percent for SSA’s service overall. Ratings of SSA staff attributes, such as courtesy and job knowledge, were as high as 92 percent. The rating for the explanation of how the disability application process works received the lowest rating, at 73 percent. Results for the award and denial samples for FY 2007 are currently being analyzed.

A similar “report card” survey is being developed for FY 2008 to address perceptions of the process at the hearing level. The survey will sample both favorable and unfavorable decisions and focus on obtaining ratings of key aspects of the hearings process. Similar to the initial claims survey, the appeals survey will permit tracking of changing perceptions over time as SSA works to improve the handling of disability claims at the hearing level.

In FY 2007, SSA has also reported findings of a more in-depth Hearing Process Satisfaction Survey of individuals who recently received a hearing decision (favorable or unfavorable). This survey explored claimant experiences and perceptions of the hearing process from initiating the hearing request to receiving the decision. The information provided the Agency with insights about the claimant perspective on the hearing process and aspects of service most in need of improvement as well as a frame of reference for understanding the results of the hearing “report card” survey described above.

The Hearing Process Satisfaction Survey found that overall satisfaction was strongly influenced by the case outcome. Applicants awarded benefits were mostly satisfied, giving an overall rating of 83 percent. The satisfaction of responders who were denied benefits was 54 percent.

Among all aspects of service rated in the survey, those relating to the performance of SSA staff and the Administrative Law Judge were viewed the most positively.

- SSA staff received satisfaction ratings ranging from 81 to 83 percent from awarded responders for their courtesy, helpfulness, job knowledge and amount of time spent with the claimant. The ratings of claimants denied benefits ranged from 62 to 71 percent.
- The satisfaction ratings of the clarity of the judge’s explanations, preparedness to discuss the case, courtesy and time spent with the claimant ranged from 94 to 95 percent for claimants awarded benefits and 51 to 66 percent for claimants denied benefits.

The two lowest rated aspects of service for both awarded and denied applicants were the length of time it took to schedule the hearing and the ease of getting an inquiry resolved with SSA while the hearing request was pending.

- The satisfaction rating for the length of time it took to schedule the hearing was 53 percent for claimants awarded benefits and 28 percent for claimants denied benefits.
- The ease of resolving an inquiry received a satisfaction rating of about 40 percent from both claimants awarded and denied benefits.

## Strategic Goal 2: *To protect the integrity of Social Security programs through*

### **RETIREMENT, SURVIVORS, DISABILITY INSURANCE PAYMENT ACCURACY STEWARDSHIP REVIEW**

The Retirement (Old-Age) and Survivors Insurance (OASI) and Disability Insurance (DI) review is based on an annual review of approximately 1,000 OASI cases and 500 DI cases. The beneficiary or representative payee is interviewed, collateral contacts are made as needed, and all non-medical factors of eligibility are recreated.

Accuracy rates (percent of dollars paid that are free of overpayments and the percent of dollars paid that are free of underpayments) are reported for an overall OASI and DI rating, as well as separate accuracy rates for OASI and DI cases. Data from these reviews are also used in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993* and the *Improper Payments Information Act of 2002*.

In FY 2006, the Old-Age, Survivors, and Disability Insurance (OASDI) overpayment accuracy rate was 99.7 percent and the underpayment accuracy rate was 99.9 percent. In FY 2005, the OASDI overpayment accuracy rate was 99.6 percent and the underpayment accuracy rate was 99.8 percent. The changes in the overall OASDI accuracy rates from FY 2005 to FY 2006 are not statistically significant.

Because of the small sample size, OASI and DI error data are viewed over a period of years to aid in identifying trends. The data are used to help guide initiatives that improve SSA processes. Improvement efforts include:

- Identification of substantial gainful work activity through the implementation and continued use of the eWork tool. eWork is an automated tool for monitoring the Continuing Disability Review workload to ensure these cases are prioritized for timely processing. eWork allows SSA staff to process and record work activity in a single National web-based database and is synchronized with SSA's National database of work and earnings determinations.
- Development of two automation tools, "MacPaste" and "AEROWiz," to address errors involving computations. The first tool, MacPaste, helps eliminate transcription errors made by technicians, thereby enhancing productivity and accuracy. The second tool, AEROWiz, helps technicians process computations of benefit amounts by providing them with a convenient summary of all of the issues involved with the case.

### **SUPPLEMENTAL SECURITY INCOME (SSI) PAYMENT ACCURACY STEWARDSHIP REVIEW**

The SSI payment accuracy review is based on a random, non-medical review of approximately 4,000 SSI cases. The review involves an examination of documents in SSA's records and verification of payment accuracy through contact with recipients, their representatives, and other sources, such as employers and financial institutions. Data from these reviews are also used in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993* and the *Improper Payments Information Act of 2002*. The FY 2006 SSI overpayment accuracy rate was 92.1 percent and the underpayment accuracy rate was 97.8 percent. The underpayment accuracy rate is slightly lower than, but not statistically significant from, the FY 2005 underpayment accuracy rate of 98.6 percent. The overpayment accuracy rate is lower than the FY 2005 overpayment accuracy rate of 93.6 percent. This change in rate is statistically significant.

SSI payment accuracy is influenced by the volume, mix and effectiveness of the redeterminations conducted by the Agency. Administrative budget limitations resulted in 900,000 fewer redetermination actions being processed in FY 2006 than in FY 2005.



## **ANNUAL REPORT OF THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM**

The 2007 report, published by SSA's Office of the Chief Actuary, provides a 25-year forecast spanning the years 2007 to 2031. Significant projections are:

- By 2031, the end of the 25-year projection period, the Federal SSI recipient population is estimated to reach 9.2 million. The projected growth in the SSI program over the 25-year period is largely due to the overall growth in the U.S. population. The rate of participation is projected to vary somewhat by age group, with the overall participation rate of the 65 or older age groups projected to decline, and the participation of the under 65 age group projected to increase slightly.
- Expressed as a percentage of the total U.S. population, the number of Federal SSI recipients increased slightly from 2.25 percent in 2005 to 2.27 percent in 2006, and is projected to increase gradually to 2.52 percent of the population by 2031, due largely to the changing age distribution of the population.
- Federal expenditures for SSI payments in calendar year 2007 are estimated to increase by \$2.2 billion to \$40 billion, an increase of 5.9 percent from 2006 levels.
- In constant 2007 dollars, Federal expenditures for SSI payments are projected to increase to \$51.5 billion in 2031, an increase of 1.2 percent per year.
- When compared to the Gross Domestic Product (GDP), Federal SSI expenditures are projected to decline over time, from the current level of 0.29 percent of GDP in 2006 to 0.24 percent of GDP by 2031.

The Chief Actuary uses these projections to provide Congress and other interested parties with information on the future of the SSI Program.

## **FEDERAL INFORMATION SECURITY MANAGEMENT ACT REVIEW**

The *Federal Information Security Management Act* (FISMA) is an Information Technology (IT) Security framework for all Federal agencies included as Part III of the *eGov Act of 2002*. All Federal agencies are required to submit a FISMA report to the Office of Management and Budget (OMB) by October 1st of each year. The purpose is to summarize the results of annual IT security reviews of systems and programs, agency progress on correcting identified weaknesses, and the results of other work performed during the reporting period using OMB's performance measures to assess and report the status of agency IT security programs. In April 2007, SSA was given a grade of "A" and ranked fifth among Federal agencies in the FY 2006 FISMA review. And, for the second year in a row, SSA was the only Federal agency to be graded as "Excellent" in its Certification and Accreditation process that is incorporated into the Federal FISMA review.

## **ENUMERATION PROCESS QUALITY REVIEW**

The Office of Quality Performance conducts an Enumeration Quality Review to measure the accuracy of the SSN card issuances made through the Agency's processes. SSNs issued through the Enumeration-at-Birth and Enumeration-at-Entry processes are included in the review, as well as Field Office processed applications for SSNs transactions for original SSNs.

Data from this review are used to determine whether the Agency meets the annual performance goal for assigning SSNs that are free of critical error, meaning, SSNs that are properly issued to applicants who request them and are entitled to them. FY 2007 performance on enumeration will not be available until September 2008 and will be reported in the FY 2008 *Performance and Accountability Report*.

## **REVIEW OF MEDICARE PART D SUBSIDY DETERMINATIONS**

SSA conducts an ongoing review of the Medicare Part D Subsidy applications to measure the accuracy of the Agency's subsidy eligibility determinations.

Data from the Medicare Part D Subsidy quality review is used to provide feedback on the performance of the prescription drug subsidy program. Additionally, data are used to develop profiles to identify, for determinations of continuing eligibility, those types of cases that have a high probability of error. The quality review is performed on

a statistically valid sample of Medicare Part D Subsidy awards, redeterminations and denials. SSA also performs special reviews of target cases on an ad hoc basis.

**Strategic Goal 3: *To achieve sustainable solvency and ensure Social Security***

**ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE (OASI) AND DISABILITY INSURANCE (DI) TRUST FUNDS**

The Old-Age, Survivors, and Disability Insurance (OASDI) program provides protection against the loss of earnings due to retirement, death, or disability. The OASDI program consists of two separate parts, OASI and DI, which pay monthly benefits to workers and their families. The *Social Security Act* requires that the Board of Trustees report annually to Congress on the financial and actuarial status of the OASI and DI Trust Funds under present law. Based on the actuarial status projected by the Trustees, Congress modifies the *Social Security Act* as needed to assure solvency of the OASDI Trust Funds in the future. The Trustees have stated repeatedly that future legislative modifications should be designed to achieve sustainable solvency for Social Security.

**Strategic Goal 4: *To strategically manage and align staff to support the mission***

**HUMAN CAPITAL PLAN**

SSA's comprehensive human capital strategy was publicly documented in 2004 when SSA issued the Agency's first Human Capital Plan. The plan laid out how SSA would use human capital to meet the Agency's mission and goals and ensure that the Agency has employees in place with the skills necessary to continue SSA's tradition of excellent service. Employees across the Agency worked together to accomplish these initiatives and, as a result, SSA was rewarded with the President's Management Agenda score of "green" for the Strategic Management of Human Capital in June 2004. To date, SSA has maintained "green" status by successfully completing planned activities, continuing with initiatives underway, and adding new ones that will further improve the management of human capital.

The Human Capital Plan, which is updated annually, demonstrates how SSA will use human capital to meet the Agency's mission and goals. The plan contains "Elements for Success" that align with and support the *Agency Strategic Plan*. These elements are Strategic Alignment; Workforce Planning; Workforce Development and Knowledge Management; Performance Culture; Leadership; and Accountability/Measures. It also includes a summary of SSA's key accomplishments that are linked to each of the elements.

Each "Element for Success" contains results-oriented goals that are measured and tracked. This measurement and tracking process helps the Agency to monitor advancement toward its human capital goals, and develop new and refined strategies for addressing its major management challenges in this area.

**RETIREMENT WAVE**

The Retirement Wave report was established to assist Agency leaders in assessing workforce needs and to foster workforce planning by providing objective information to support the Agency's human capital initiatives. This report provides a snapshot of the current workforce and a projection of probable retirement losses in mission critical positions for each region and major component within the Agency. Because it is an early alert for the Agency's leaders and managers, SSA uses it as a tool to guide leaders and managers in establishing new initiatives that will be successful in addressing potential leadership and knowledge management deficiencies.

As SSA approaches the estimated peak retirement period, the Retirement Wave report remains an important foundation for and evaluation of the Agency's efforts toward the strategic management of human capital. To address SSA's future workforce challenges, several initiatives were born from the retirement wave analysis, including strategic use of the Voluntary Early Retirement Authority, recruitment and retention initiatives, developmental programs, and various workforce planning frameworks and accountability systems.

As a result of the Agency's conscientious efforts to prepare for the potential drain on institutional knowledge and expertise, the Agency has seen significant positive changes in SSA's workforce. These changes include a decrease in average years of service and in the average age of SSA's overall workforce as well as the Agency's new hires. This places SSA in a favorable position to maintain a consistent and stable workforce that is adequately prepared to continue to address the needs of the American people.

#### **STRATEGIC LEADERSHIP SUCCESSION PLAN**

The FY 2007 Strategic Leadership Succession Plan was developed to provide a blueprint of how the Agency will recruit, develop, and retain current and future leaders. The plan addresses the Agency's current and future leadership needs, including an organizational assessment that contains a baseline examination of leadership strength, projected attrition, and the Agency's current succession planning strategies. The plan also documents the organization's strategic goals, specific means and strategies toward achieving those goals, and a metric-driven plan for evaluating goal attainment and program effectiveness. The results of the evaluation will provide a basis for improvements in SSA's succession planning programs.

#### **HUMAN CAPITAL ACCOUNTABILITY PLAN**

SSA has established a human capital accountability system as a framework to improve the Agency's human resources management practices toward creating a high-performing workforce. This system is supported by the Human Capital Accountability Plan, which is a mechanism for evaluating the effectiveness of the Agency's human capital goals and strategies as stipulated in the Human Capital Plan. The Human Capital Accountability Plan links the Agency's human capital goals to specific measures, data collection procedures, and assessment timeframes. In addition, the plan identifies component-level accountability for the reporting and implementation of activities therein, as well as providing a schedule for measurement. The annual analysis of the outcomes are presented in a formal report and used to identify areas of strength and opportunities for improvement across human capital management policy, programs, and initiatives, as well as adherence to merit system principles.

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**FINANCIAL  
SECTION**

## A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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As SSA's new Chief Financial Officer, I am pleased to report that the Social Security Administration (SSA) maintained its traditional high standards in financial management for fiscal year (FY) 2007. SSA received its 14<sup>th</sup> consecutive unqualified opinion on the consolidated financial statements from our independent auditors. The unqualified opinion attests to the fair presentation of SSA's financial statements, and demonstrates the discipline and accountability essential to our responsibilities as stewards of Social Security funds. We are also proud that SSA's FY 2006 Performance and Accountability Report received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. This marks the 9<sup>th</sup> time SSA received the award, the only agency to do so every year since its inception.



I'm also pleased to report that SSA also received an unqualified opinion on its assertion on the effectiveness of internal control over financial reporting, with no material weaknesses or reportable conditions. We are pleased that our management assurance statement affirms, with reasonable assurance, that internal control over financial reporting was operating effectively as of year end. At SSA, we take our duty of sound fiscal vigilance very seriously and we are committed to upholding the public's trust in the integrity of our programs.

During FY 2007, SSA built upon the control assessment program that was developed to meet the requirements of Appendix A to OMB Circular A-123, *Management's Responsibility for Internal Controls*, by refining the key controls in the financial reporting process and enhancing the documentation supporting the process. One of the benefits of this program has been the attention that internal controls receive throughout all of SSA, which in turn is manifested in a smoother audit process.

In FY 2007, SSA maintained its "green" score for both status and progress on the President's Management Agenda Improved Financial Performance initiative. SSA continues to integrate new features into its financial accounting system, the Social Security Online Accounting and Reporting System (SSOARS), to enhance functionality. Throughout FY 2007, we integrated additional financial systems with SSOARS to provide real-time access to validate accounting information and fund availability. We are also engaged in implementing an improved cost accounting system which will provide more user-friendly access to information necessary to manage and account for resources.

SSA is committed to maintaining constant vigilance over financial reporting, and we are proud of our history of responsibly managing the programs entrusted to us. We will continue to uphold the highest standards of integrity in discharging our fiduciary responsibilities.

I want to acknowledge the efforts of the many SSA employees who contribute to our goal of providing timely and reliable information to Congress and the public. Their hard work and devotion make it possible to fulfill the SSA mission of advancing the economic security of our nation's people.

A handwritten signature in cursive script that reads "Mary Glenn-Croft".

Mary E. Glenn-Croft  
Chief Financial Officer  
November 7, 2007

# FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The Agency's financial statements and additional information for fiscal years (FY) 2007 and 2006 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2007 and 2006, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2007 and 2006. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2007 and 2006. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2007 and 2006. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.
- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.
- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of  
September 30, 2007 and September 30, 2006  
(Dollars in Millions)

Assets	2007	2006
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	\$ 6,146	\$ 4,778
Investments (Note 5)	2,182,091	1,995,307
Interest Receivable, Net (Note 6)	27,727	25,631
Accounts Receivable, Net (Note 6)	451	536
Total Intragovernmental	2,216,415	2,026,252
Accounts Receivable, Net (Notes 3 and 6)	8,017	7,654
Property, Plant and Equipment, Net (Notes 3 and 7)	1,892	1,641
Other	5	5
<b>Total Assets</b>	<b>\$ 2,226,329</b>	<b>\$ 2,035,552</b>
<b>Liabilities (Note 8)</b>		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,802	\$ 3,754
Accounts Payable	7,788	8,033
Other	95	93
Total Intragovernmental	11,685	11,880
Benefits Due and Payable	69,938	66,104
Accounts Payable	372	264
Other	1,263	873
Total Liabilities	83,258	79,121
<b>Net Position</b>		
Unexpended Appropriations-Earmarked Funds (Note 9)	57	57
Unexpended Appropriations-Other Funds	2,222	1,614
Cumulative Results of Operations-Earmarked Funds (Note 9)	2,140,617	1,954,921
Cumulative Results of Operations-Other Funds	175	(161)
Total Net Position	2,143,071	1,956,431
<b>Total Liabilities and Net Position</b>	<b>\$ 2,226,329</b>	<b>\$ 2,035,552</b>

The accompanying notes are an integral part of these financial statements.



## Consolidated Statements of Net Cost for the Years Ended September 30, 2007 and September 30, 2006

(Dollars in Millions)

	2007	2006
<b>OASI Program</b>		
Benefit Payments	\$ 481,026	\$ 451,516
Operating Expenses (Note 10)	3,099	3,083
Total Cost of OASI Program	484,125	454,599
Less: Exchange Revenues (Notes 11 and 12)	9	8
<b>Net Cost of OASI Program</b>	<b>484,116</b>	<b>454,591</b>
<b>DI Program</b>		
Benefit Payments	97,410	90,944
Operating Expenses (Note 10)	2,560	2,574
Total Cost of DI Program	99,970	93,518
Less: Exchange Revenues (Notes 11 and 12)	8	9
<b>Net Cost of DI Program</b>	<b>99,962</b>	<b>93,509</b>
<b>SSI Program</b>		
Benefit Payments	34,142	35,237
Operating Expenses (Note 10)	3,117	3,147
Total Cost of SSI Program	37,259	38,384
Less: Exchange Revenues (Notes 11 and 12)	261	268
<b>Net Cost of SSI Program</b>	<b>36,998</b>	<b>38,116</b>
<b>Other</b>		
Benefit Payments	8	15
Operating Expenses (Note 10)	1,689	1,753
Total Cost of Other Program	1,697	1,768
Less: Exchange Revenues (Notes 11 and 12)	6	11
<b>Net Cost of Other</b>	<b>1,691</b>	<b>1,757</b>
<b>Total Net Cost</b>		
Benefit Payments	612,586	577,712
Operating Expenses (Note 10)	10,465	10,557
Total Cost	623,051	588,269
Less: Exchange Revenues (Notes 11 and 12)	284	296
<b>Total Net Cost</b>	<b>\$ 622,767</b>	<b>\$ 587,973</b>

The accompanying notes are an integral part of these financial statements.

**Consolidated Statements of Changes in Net Position for the Years Ended  
September 30, 2007 and September 30, 2006  
(Dollars in Millions)**

	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>				
Earmarked Funds	\$ 1,954,921	\$ 57	\$ 1,770,660	\$ 53
All Other Funds	(161)	1,614	256	1,393
<b>Total All Funds</b>	<b>\$ 1,954,760</b>	<b>\$ 1,671</b>	<b>\$ 1,770,916</b>	<b>\$ 1,446</b>
<b>Budgetary Financing Sources</b>				
Appropriations Received				
Earmarked Funds		19,335		16,378
All Other Funds		40,334		40,454
Appropriations Transferred In/Out-Earmarked Funds		0		38
Other Adjustments				
Earmarked Funds		(9)		(6)
Appropriations Used				
Earmarked Funds	19,326	(19,326)	16,406	(16,406)
All Other Funds	39,726	(39,726)	40,233	(40,233)
Tax Revenues-Earmarked Funds (Note 13)	647,387		620,007	
Interest Revenues-Earmarked Funds	108,457		99,880	
Transfers In/Out Without Reimbursement				
Earmarked Funds	(6,268)		(4,868)	
All Other Funds	6,449		6,538	
Railroad Retirement Interchange-Earmarked Funds	(4,068)		(3,959)	
Net Transfers In/Out				
Earmarked Funds	(10,336)		(8,827)	
All Other Funds	6,449		6,538	
Other Budgetary Financing Sources-				
Earmarked Funds	(50)		(50)	
<b>Other Financing Sources (Non-Exchange)</b>				
Transfers In/Out-All Other Funds	(2,701)		(2,907)	
Imputed Financing Sources-				
All Other Funds (Note 14)	541		537	
<b>Total Financing Sources</b>				
Earmarked Funds	764,784	0	727,416	4
All Other Funds	44,015	608	44,401	221
<b>Net Cost of Operations</b>				
Earmarked Funds	579,088		543,155	
All Other Funds	43,679		44,818	
<b>Net Change</b>				
Earmarked Funds	185,696		184,261	
All Other Funds	336		(417)	
<b>Ending Balances</b>				
Earmarked Funds	2,140,617	57	1,954,921	57
All Other Funds	175	2,222	(161)	1,614
<b>Total All Funds</b>	<b>\$ 2,140,792</b>	<b>\$ 2,279</b>	<b>\$ 1,954,760</b>	<b>\$ 1,671</b>

The accompanying notes are an integral part of these financial statements.

**Combined Statements of Budgetary Resources for the Years Ended  
September 30, 2007 and September 30, 2006  
(Dollars in Millions)**

	2007	2006
<b>Budgetary Resources (Note 15)</b>		
Unobligated Balance, Brought Forward, October 1	\$ 1,791	\$ 1,832
Recoveries of Prior Year Unpaid Obligations	485	539
Budget Authority		
Appropriation	832,560	796,683
Spending Authority from Offsetting Collections		
Earned		
Collected	3,984	4,224
Change in Receivable	9	(16)
Change in Unfilled Customer Orders		
Advance Received	348	1
Expenditure Transfers from Trust Funds	9,364	9,204
Subtotal	846,265	810,096
Nonexpenditure Transfers, Net	274	122
Temporarily Not Available Pursuant to Public Law	(183,870)	(181,621)
Permanently Not Available	16	(40)
<b>Total Budgetary Resources</b>	<b>\$ 664,961</b>	<b>\$ 630,928</b>
<b>Status of Budgetary Resources (Note 15)</b>		
<b>Obligations Incurred</b>		
Direct	\$ 657,824	\$ 624,951
Reimbursable	3,991	4,186
Subtotal	661,815	629,137
<b>Unobligated Balance</b>		
Apportioned	2,802	1,475
<b>Unobligated Balance - Not Available</b>	344	316
<b>Total Status of Budgetary Resources</b>	<b>\$ 664,961</b>	<b>\$ 630,928</b>
<b>Change in Obligated Balance</b>		
<b>Obligated Balance, Net</b>		
Unpaid Obligations, Brought Forward, October 1	\$ 73,058	\$ 69,215
Uncollected Payments from Federal Sources, Brought Forward, October 1	(2,069)	(2,091)
Total Unpaid Obligated Balance, Net	70,989	67,124
<b>Obligations Incurred, Net</b>	661,815	629,137
<b>Gross Outlays</b>	(657,659)	(624,755)
<b>Obligated Balance Transferred, Net</b>		
<b>Recoveries of Prior Year Unpaid Obligations, Actual</b>	(485)	(539)
<b>Change in Uncollected Payments from Federal Sources</b>	(215)	22
<b>Obligated Balance, Net, End of Period</b>		
Unpaid Obligations	76,729	73,058
Uncollected Payments from Federal Sources	(2,284)	(2,069)
Total Obligated Balance, Net, End of Period	74,445	70,989
<b>Net Outlays</b>		
Gross Outlays	657,659	624,755
Offsetting Collections	(13,491)	(13,434)
Distributed Offsetting Receipts	(22,400)	(25,809)
<b>Net Outlays</b>	<b>\$ 621,768</b>	<b>\$ 585,512</b>

The accompanying notes are an integral part of these financial statements.

**Statement of Social Insurance**  
**Old-Age, Survivors and Disability Insurance**  
**as of January 1, 2007**  
(In billions)

## Estimates from Prior Years

	<u>2007</u>	<u>2006</u>	<u>2005</u> unaudited	<u>2004</u> unaudited	<u>2003</u> unaudited
<i>Actuarial present value for the 75-year projection period of estimated future income (excluding interest) received from or on behalf of: (Note 17)</i>					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	\$17,515	\$16,568	\$15,290	\$14,388	\$13,576
Have attained retirement eligibility age (Age 62 and over)	477	533	464	411	359
Those expected to become participants (Under age 15)	16,121	15,006	13,696	12,900	12,213
All current and future participants	34,113	32,107	29,450	27,699	26,147
<i>Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)</i>					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	27,928	26,211	23,942	22,418	21,015
Have attained retirement eligibility age (Age 62 and over)	6,329	5,866	5,395	4,933	4,662
Those expected to become participants (Under age 15)	6,619	6,480	5,816	5,578	5,398
All current and future participants	40,876	38,557	35,154	32,928	31,075
<i>Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over cost (Note 17)</i>	-\$6,763	-\$6,449	-\$5,704	-\$5,229	-\$4,927

## Additional Information

<i>Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over cost (Note 17)</i>	-\$6,763	-\$6,449	-\$5,704	-\$5,229	-\$4,927
<i>Combined OASI and DI Trust Fund assets at start of period</i>	2,048	1,859	1,687	1,531	1,378
<i>Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) and combined OASI and DI Trust Fund assets at start of period over cost (Note 17)</i>	-\$4,715	-\$4,591	-\$4,017	-\$3,699	-\$3,550

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

(Presented in Millions)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources and the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular A-136 *Financial Reporting Requirements*.

Prior to June 2007 the financial statements included a Statement of Financing, the reconciliation of net cost to budgetary resources. In conformance with new regulations effective June 2007, this reconciliation is included in the accompanying footnotes. Refer to Note 16, Reconciliation of Net Cost of Operations to Budget.

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and the form and content for entity financial statements specified by OMB in Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds and four general fund appropriations. LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

### FUND BALANCE WITH TREASURY

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

### INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the *Social Security Act*. These investments

consist of U.S. Treasury special issue bonds. Special issue bonds are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. Interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets.

### **PROPERTY, PLANT AND EQUIPMENT**

SSA's property, plant and equipment (PP&E) are recorded in the LAE program, but represents the capital assets purchased by the OASI, DI, Health Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, Accounting for Internal Use Software requires the capitalization of internally-developed, contractor-developed and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is \$100 thousand. Automated Data Processing and Telecommunications Site Preparation, buildings and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that effect budgetary obligations. However, HI/SMI's share of capital assets is considered Non-Entity Assets.

### **BENEFITS DUE AND PAYABLE**

Liabilities are accrued for OASI and DI benefits due for the month of September which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 8, Liabilities.

### **BENEFIT PAYMENTS**

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

### **ADMINISTRATIVE EXPENSES AND OBLIGATIONS**

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI and SMI Trust Fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This is in compliance with OMB's directive to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

## RECOGNITION OF FINANCING SOURCES

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Combined Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

## EARMARKED FUNDS

SFFAS No. 27, *Identifying and Reporting Earmarked Funds* requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA's earmarked funds are the OASI and DI Trust Funds, PTF and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

## 2. CENTRALIZED FEDERAL FINANCING ACTIVITIES

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were \$112 and \$115 million for the years ended September 30, 2007 and 2006. SSA contributions to the basic FERS plan were \$273 and \$247 million for the years ended September 30, 2007 and 2006. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were \$100 and \$89 million for the years ended September 30, 2007 and 2006. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

### **3. NON-ENTITY ASSETS**

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are \$6,423 and \$6,331 million as of September 30, 2007 and 2006. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable, (2) SSI overpayments collected, (3) General Fund's portion of fees collected to administer SSI State Supplementation, (4) General Fund's portion of fees collected to administer Title VIII State Supplementation, (5) SSI Attorney fees that are returned to the Department of the Treasury General Fund and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are \$3,500 and \$3,285 million as of September 30, 2007 and 2006. The SSI accounts receivable, net has been reduced by \$1,623 and \$1,955 million for FY 2007 and 2006 respectively as intra-agency elimination. SSI Federal overpayment collections included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheets are \$2,757 and \$2,905 million as of September 30, 2007 and 2006. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the States to SSA.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation in the amount of \$127 and \$137 million as of September 30, 2007 and 2006. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative fees. In addition, the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI Attorney fees totaled \$5 and \$4 million as of September 30, 2007 and 2006.



## 4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Appropriated Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30: (\$ in millions)			Chart 4b - Status of Fund Balances as of September 30: (\$ in millions)		
	2007	2006		2007	2006
<b>Trust Funds*</b>			<b>Unobligated Balance</b>		
OASI	\$ (941)	\$ (795)	Available	\$ 2,481	\$ 1,226
DI	(361)	(348)	Unavailable	76	64
LAE	9	71			
<b>General Funds</b>			<b>Obligated Balance Not Yet</b>		
SSI	4,445	2,725	Disbursed	1,948	1,495
Other	60	60	OASI, DI and LAE	(1,293)	(1,072)
<b>Other Funds</b>			<b>Non-Budgetary FBWT</b>	2,934	3,065
SSI	174	155	<b>Total</b>	\$ 6,146	\$ 4,778
Other	2,760	2,910			
<b>Total</b>	\$ 6,146	\$ 4,778			

\*The phrase "Trust Funds" is being used as the fund type as defined by OMB.

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2007 and 2006 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

## 5. INVESTMENTS

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. The interest rates on these investments range from 3 1/2 percent to 7 1/4 percent and are payable on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust

Funds mature at various dates ranging from the present to the year 2022. SSA's investments in Special Issue U.S. Treasury Securities are \$2,182,091 and \$1,995,307 million as of September 30, 2007 and 2006 respectively.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. Government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Government-wide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

## **6. INTEREST AND ACCOUNTS RECEIVABLE**

### **INTEREST RECEIVABLE**

Intragovernmental Interest Receivable, Net reported on the Consolidated Balance Sheets consists of accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury. Interest receivable amounts are \$27,727 and \$25,631 million as of September 30, 2007 and 2006.

### **ACCOUNTS RECEIVABLE**

#### **Intragovernmental**

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets in the amounts of \$451 and \$536 million as of September 30, 2007 and 2006 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The LAE gross accounts receivable has been reduced by \$1,844 and \$1,538 million as of September 30, 2007 and 2006 as an intra-agency elimination. This elimination is to offset SSA's LAE receivable to be paid from the appropriate fund with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

#### **With the Public**

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and State SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or receive benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30: (\$ in millions)						
	2007			2006		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 2,498	\$ (166)	\$ 2,332	\$ 2,238	\$ (126)	\$ 2,112
DI	4,735	(1,955)	2,780	4,378	(1,492)	2,886
SSI*	7,005	(1,781)	5,224	7,032	(1,722)	5,310
LAE	14	0	14	15	0	15
Subtotal	14,252	(3,902)	10,350	13,663	(3,340)	10,323
Less:						
Eliminations**	(2,333)	0	(2,333)	(2,669)	0	(2,669)
Total	\$ 11,919	\$ (3,902)	\$ 8,017	\$ 10,994	\$ (3,340)	\$ 7,654

\*See Discussion in Note 3, Non-Entity Assets    \*\* Intra-Agency Eliminations

Chart 6 shows that in FY 2007 and 2006, gross accounts receivable was reduced by \$2,333 and \$2,669 million as an intra-agency elimination. This intra-agency activity results primarily from Special Disability Workloads (SDW) cases. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables from both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 78,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are \$710 and \$714 million as of September 30, 2007 and 2006. DI SDW receivables are less than \$1 million as of September 30, 2007 and 2006. SSI SDW net receivables are \$1,218 and \$1,688 million as of September 30, 2007 and 2006.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

## 7. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment, Net as reported on the Consolidated Balance Sheets is reflected by major class in chart 7.

Chart 7 - Property, Plant and Equipment as of September 30:  
(\$ in millions)

Major Classes:	2007			2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 4	\$ 0	\$ 4	\$ 4	\$ 0	\$ 4
Buildings	513	(268)	245	388	(200)	188
Equipment (incl. ADP Hardware)	483	(401)	82	433	(356)	77
Internal Use Software	2,380	(825)	1,555	1,951	(590)	1,361
Leasehold Improvements	189	(183)	6	189	(178)	11
<b>Total</b>	<b>\$ 3,569</b>	<b>\$ (1,677)</b>	<b>\$ 1,892</b>	<b>\$ 2,965</b>	<b>\$ (1,324)</b>	<b>\$ 1,641</b>

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

## 8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30: (\$ in millions)	2007			2006		
	Covered	Not		Covered	Not	
		Covered	Total		Covered	Total
<b>Intragovernmental:</b>						
Accrued RRI	\$ 3,802	\$ 0	\$ 3,802	\$ 3,754	\$ 0	\$ 3,754
Accounts Payable	38	7,750	7,788	1	8,032	8,033
Other	40	55	95	39	54	93
<b>Total Intragovernmental</b>	<b>3,880</b>	<b>7,805</b>	<b>11,685</b>	<b>3,794</b>	<b>8,086</b>	<b>11,880</b>
<b>Benefits Due and Payable</b>	<b>66,924</b>	<b>3,014</b>	<b>69,938</b>	<b>63,475</b>	<b>2,629</b>	<b>66,104</b>
Accounts Payable	16	356	372	(62)	326	264
Other	644	619	1,263	278	595	873
<b>Total</b>	<b>\$ 71,464</b>	<b>\$ 11,794</b>	<b>\$ 83,258</b>	<b>\$ 67,485</b>	<b>\$ 11,636</b>	<b>\$ 79,121</b>

## ACCRUED RAILROAD RETIREMENT INTERCHANGE

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

## INTRAGOVERNMENTAL ACCOUNTS PAYABLE

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets for a description of the SSI receivables established for the repayment of SSI benefit overpayments. Also included in the Not Covered Intragovernmental Accounts Payable amount are \$127 and \$137 million as of September 30, 2007 and 2006 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

## INTRAGOVERNMENTAL OTHER LIABILITIES

Intragovernmental Other Liabilities Covered by budgetary resources includes amounts for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts for the Federal Employees' Compensation Act (FECA), administered by DOL. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is \$55 and \$54 million as of September 30, 2007 and 2006.

## BENEFITS DUE AND PAYABLE

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2007 and 2006. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

Chart 8b - Benefits Due and Payable as of September 30: (\$ in millions)		
	2007	2006
OASI	\$ 44,030	\$ 41,677
DI	24,017	23,611
SSI	4,224	3,485
Subtotal	72,271	68,773
Less: Intra-agency eliminations	(2,333)	(2,669)
Total	\$ 69,938	\$ 66,104

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are \$325 and \$329 million as of September 30, 2007 and 2006. DI payables are \$2,869 and \$3,500 million as of September 30, 2007 and 2006. In FY 2007, the OASI and DI net payables have decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2007 and 2006, gross Benefits Due and Payable was reduced by \$2,333 and \$2,669 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Interest and Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2007 and 2006.

Chart 8c - Net SDW Liability as of September 30: (\$ in millions)		
	2007	2006
Net DI Liability	\$ 2,869	\$ 3,500
Net OASI Receivable	(384)	(385)
Net SSI Receivable	(1,218)	(1,688)
Net Liability Due to the Public	\$ 1,267	\$ 1,427

**ACCOUNTS PAYABLE**

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment is set up as an accounts payable until payment is made to the states.

**OTHER LIABILITIES**

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of \$272 and \$275 million as of September 30, 2007 and 2006 represents the expected liability from FECA claims for the next 23 year period. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

**CONTINGENT LIABILITIES**

We have been apprised by the Internal Revenue Service (IRS) that twelve employment tax refund cases are pending in Federal courts throughout the country. The cases concern whether medical residents should continue to be subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. The cases concern two different IRS regulations, have led to disparate outcomes for the Government in the various courts on the question of medical resident taxation, and are being actively litigated and appealed. The Government is contesting the cases vigorously. The Department of Justice (Tax Division) is handling the litigation and SSA is not a named party. SSA is not able to make an estimate of the possible liability, if any, at this time.

## **9. EARMARKED FUNDS**

The OASI and DI Trust Funds, PTF and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

### **OASI AND DI TRUST FUNDS**

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 6, Interest and Accounts Receivable for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments for a discussion on Treasury securities.

### **PTF**

PTF consist of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

### **SSI STATE ADMINISTRATIVE FEES**

Administrative Fees collected from state SSI are also classified as earmarked funds. Section 1616.42 U.S.C. authorizes the Commissioner of Social Security to assess each state an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the state for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Charts 9a for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2007 and 2006.

Chart 9a - Earmarked Funds as of September 30: Consolidating Schedule (\$ in millions)					
	2007				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
<b>Balance Sheet</b>					
<b>ASSETS</b>					
Fund Balance with Treasury	\$ (941)	\$ (361)	\$ 65	\$ 0	\$ (1,237)
Investments	1,968,262	213,829	0	0	2,182,091
Interest Receivable	25,041	2,686	0	0	27,727
Accounts Receivables	2,332	2,780	0	(710)	4,402
<b>Total Assets</b>	<b>\$ 1,994,694</b>	<b>\$ 218,934</b>	<b>\$ 65</b>	<b>\$ (710)</b>	<b>\$ 2,212,983</b>
<b>LIABILITIES and NET POSITION</b>					
Liabilities	\$ 48,030	\$ 24,987	\$ 2	\$ (710)	\$ 72,309
<b>Total Liabilities</b>	<b>48,030</b>	<b>24,987</b>	<b>2</b>	<b>(710)</b>	<b>72,309</b>
Unexpended Appropriations	0	0	57	0	57
Cumulative Results of Operations	1,946,664	193,947	6	0	2,140,617
<b>Total Liabilities and Net Position</b>	<b>\$ 1,994,694</b>	<b>\$ 218,934</b>	<b>\$ 65</b>	<b>\$ (710)</b>	<b>\$ 2,212,983</b>
<b>Statement of Net Cost</b>					
Program Costs	\$ 481,615	\$ 97,589	\$ 3	\$ 0	\$ 579,207
Less Earned Revenue	0	0	119	0	119
<b>Net Cost of Operations</b>	<b>\$ 481,615</b>	<b>\$ 97,589</b>	<b>\$ (116)</b>	<b>\$ 0</b>	<b>\$ 579,088</b>
<b>Statement of Changes in Net Position</b>					
Net Position Beginning of Period	\$ 1,771,908	\$ 183,007	\$ 63	\$ 0	\$ 1,954,978
Adjustments	(5,042)	5,042	0	0	0
<b>Beginning Balances, Adjusted</b>	<b>\$ 1,766,866</b>	<b>\$ 188,049</b>	<b>\$ 63</b>	<b>\$ 0</b>	<b>\$ 1,954,978</b>
Non-Exchange Revenue	10,568	(1,512)	(116)	0	8,940
Net Cost of Operations	(481,615)	(97,589)	116	0	(579,088)
Taxes and Interest Revenue	650,845	104,999	0	0	755,844
Change in Net Position	179,798	5,898	0	0	185,696
<b>Net Position End of Period</b>	<b>\$ 1,946,664</b>	<b>\$ 193,947</b>	<b>\$ 63</b>	<b>\$ 0</b>	<b>\$ 2,140,674</b>

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, \$2,785 million of liabilities in the earmarked funds for the year ended September 30, 2007 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Near the close of FY 2005, SSA determined that the DI Trust Fund had not been reimbursed for certain expenses initially paid from the DI Trust Fund on behalf of the OASI Trust Fund. SSA's General Counsel and Counsel from the U.S. Department of the Treasury determined that current law supports the transfer of the principal balance of \$3,253 million and the interest balance of \$2,362 million from the OASI Trust Fund to the DI Trust Fund as of September 17, 2007. SSA's Net Position remains unchanged as a result of this immaterial transfer. After consulting



with OMB and Treasury on this matter, SSA reported \$573 million of the transfer as current year activity while the remainder, \$5,042 million, has been reported as an adjustment to the beginning balances within the current period.

	2006				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Chart 9a - Earmarked Funds as of September 30: Consolidating Schedule (\$ in millions)					
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (795)	\$ (348)	\$ 66	\$ 0	\$ (1,077)
Investments	1,793,129	202,178	0	0	1,995,307
Interest Receivable	23,004	2,627	0	0	25,631
Accounts Receivables	2,114	2,887	0	(714)	4,287
Total Assets	\$ 1,817,452	\$ 207,344	\$ 66	\$ (714)	\$ 2,024,148
LIABILITIES and NET POSITION					
Liabilities	\$ 45,544	\$ 24,337	\$ 3	\$ (714)	\$ 69,170
Total Liabilities	45,544	24,337	3	(714)	69,170
Unexpended Appropriations	0	0	57	0	57
Cumulative Results of Operations	1,771,908	183,007	6	0	1,954,921
Total Liabilities and Net Position	\$ 1,817,452	\$ 207,344	\$ 66	\$ (714)	\$ 2,024,148
Statement of Net Cost					
Program Costs	\$ 452,144	\$ 91,128	\$ 0	\$ 0	\$ 543,272
Less Earned Revenue	0	0	117	0	117
Net Cost of Operations	\$ 452,144	\$ 91,128	\$ (117)	\$ 0	\$ 543,155
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 1,595,523	\$ 175,137	\$ 53	\$ 0	\$ 1,770,713
Non-Exchange Revenue	9,138	(1,498)	(107)	0	7,533
Net Cost of Operations	(452,144)	(91,128)	117	0	(543,155)
Taxes and Interest Revenue	619,391	100,496	0	0	719,887
Change in Net Position	176,385	7,870	10	0	184,265
Net Position End of Period	\$ 1,771,908	\$ 183,007	\$ 63	\$ 0	\$ 1,954,978

Charts 9b present the Statement of Changes in Net Position in columnar format. Eliminations have no effect on columnar totals presented for the years ended September 30, 2007 and 2006.

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: Consolidated Schedule (\$ in millions)			
	2007		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 1,954,921	\$ (161)	\$ 1,954,760
<b>Budgetary Financing Sources</b>			
Appropriations Used	19,326	39,726	59,052
Tax Revenues (Note 13)	647,387	0	647,387
Interest Revenues	108,457	0	108,457
Transfers In/Out Without Reimbursement	(6,268)	6,449	181
Railroad Retirement Interchange	(4,068)	0	(4,068)
Net Transfers In/Out	(10,336)	6,449	(3,887)
Other Budgetary Financing Sources	(50)	0	(50)
<b>Other Financing Sources (Non-Exchange)</b>			
Transfers-In/Out	0	(2,701)	(2,701)
Imputed Financing Sources (Note 14)	0	541	541
<b>Total Financing Sources</b>	<b>764,784</b>	<b>44,015</b>	<b>808,799</b>
<b>Net Cost of Operations</b>	<b>579,088</b>	<b>43,679</b>	<b>622,767</b>
<b>Net Change</b>	<b>185,696</b>	<b>336</b>	<b>186,032</b>
<b>Cumulative Results of Operations</b>	<b>\$ 2,140,617</b>	<b>\$ 175</b>	<b>\$ 2,140,792</b>

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: (\$ in millions)			
	2007		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 57	\$ 1,614	\$ 1,671
<b>Budgetary Financing Sources</b>			
Appropriations Received	19,335	40,334	59,669
Other Adjustments	(9)	0	(9)
Appropriations Used	(19,326)	(39,726)	(59,052)
<b>Total Budgetary Financing Sources</b>	<b>0</b>	<b>608</b>	<b>608</b>
<b>Total Unexpended Appropriations</b>	<b>57</b>	<b>2,222</b>	<b>2,279</b>
<b>Net Position</b>	<b>\$ 2,140,674</b>	<b>\$ 2,397</b>	<b>\$ 2,143,071</b>

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: Consolidated Schedule (\$ in millions)			
	2006		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 1,770,660	\$ 256	\$ 1,770,916
Budgetary Financing Sources			
Appropriations Used	16,406	40,233	56,639
Tax Revenues (Note 13)	620,007	0	620,007
Interest Revenues	99,880	0	99,880
Transfers In/Out Without Reimbursement	(4,868)	6,538	1,670
Railroad Retirement Interchange	(3,959)	0	(3,959)
Net Transfers In/Out	(8,827)	6,538	(2,289)
Other Budgetary Financing Sources	(50)	0	(50)
Other Financing Sources (Non-Exchange)			
Transfers-In/Out	0	(2,907)	(2,907)
Imputed Financing Sources (Note 14)	0	537	537
Total Financing Sources	727,416	44,401	771,817
Net Cost of Operations	543,155	44,818	587,973
Net Change	184,261	(417)	183,844
Cumulative Results of Operations	\$ 1,954,921	\$ (161)	\$ 1,954,760

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30: (\$ in millions)			
	2006		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	\$ 53	\$ 1,393	\$ 1,446
Budgetary Financing Sources			
Appropriations Received	16,378	40,454	56,832
Appropriations Transferred In/Out	38	0	38
Other Adjustments	(6)	0	(6)
Appropriations Used	(16,406)	(40,233)	(56,639)
Total Budgetary Financing Sources	4	221	225
Total Unexpended Appropriations	57	1,614	1,671
Net Position	\$ 1,954,978	\$ 1,453	\$ 1,956,431

## 10. OPERATING EXPENSES

### CLASSIFICATION OF OPERATING EXPENSES BY MAJOR PROGRAM

Chart 10a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds' shares of SSA's operating expenses, which include the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2007						
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,474	\$ 36	\$ 589	\$ 0	\$ 3,099	
DI	2,347	34	106	73	2,560	
SSI	3,013	0	0	104	3,117	
Other	1,662	24	0	3	1,689	
	\$ 9,496	\$ 94	\$ 695	\$ 180	\$ 10,465	

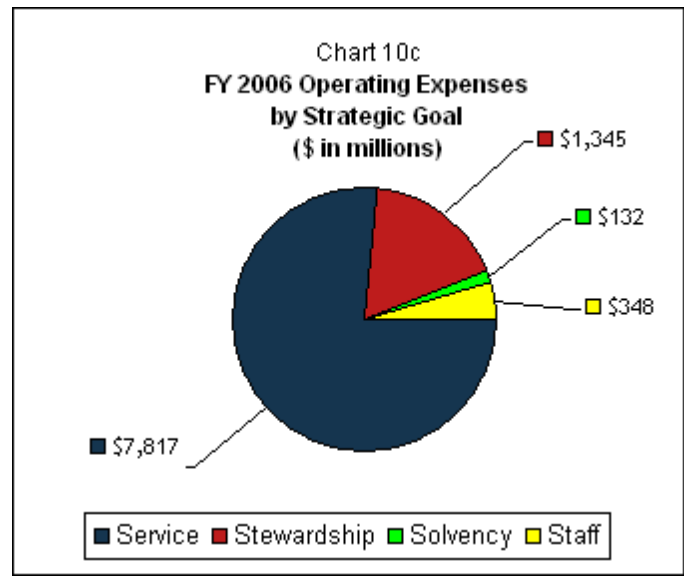
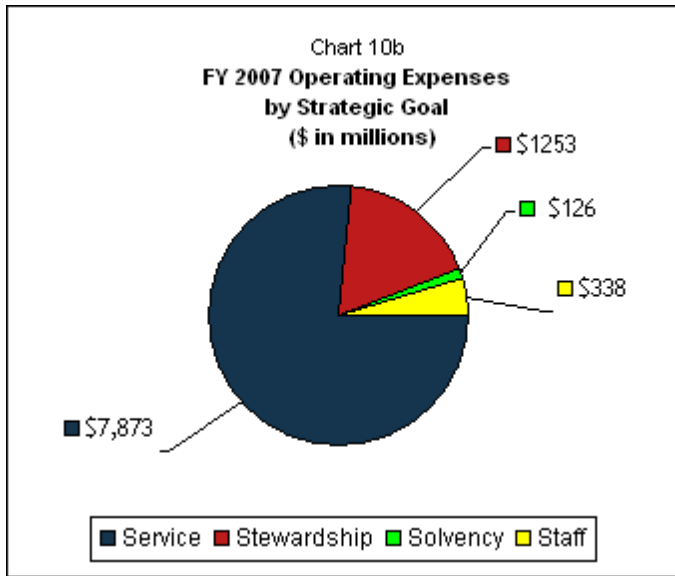
Chart 10a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2006						
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,420	\$ 35	\$ 628	\$ 0	\$ 3,083	
DI	2,356	34	176	8	2,574	
SSI	3,044	0	0	103	3,147	
Other	1,730	23	0	0	1,753	
	\$ 9,550	\$ 92	\$ 804	\$ 111	\$ 10,557	

### CLASSIFICATION OF OPERATING EXPENSES BY STRATEGIC GOAL

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire Agency. The four goals are:

- Service -- To deliver high-quality, citizen-centered service;
- Stewardship -- To ensure superior stewardship of Social Security programs and resources;
- Solvency -- To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations; and
- Staff -- To strategically manage and align staff to support SSA's mission.

Charts 10b and 10c exhibit distribution of FY 2007 and 2006 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the Agency's LAE budget appropriation. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.



## 11. EXCHANGE REVENUES

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the Agency’s cost. Total exchange revenues are \$284 and \$296 million for the years ended September 30, 2007 and 2006. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of \$250 and \$253 million for the years ended September 30, 2007 and 2006.

A portion of the administrative fees earned by SSA are non-entity assets, which are included within Fund Balance with Treasury in the amount of \$131 and \$140 million for the years ended September 30, 2007 and 2006. The portion of these non-entity asset fees collected to administer SSI State Supplementation total \$127 and \$137 million as of September 30, 2007 and 2006. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of \$119 and \$117 million for the years ended September 30, 2007 and 2006 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned \$34 and \$43 million for the years ended September 30, 2007 and 2006 in other exchange revenue.

## 12. COSTS AND EXCHANGE REVENUE CLASSIFICATIONS

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 14, Imputed Financing for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, and payroll and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states portion of SSI payments. The Other program primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 12- Costs and Exchange Revenue Classifications as of September 30: (\$ in millions)						
	2007			2006		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
<b>OASI Program</b>						
Intragovernmental	\$ 1,291	\$ (6)	\$ 1,285	\$ 1,309	\$ (3)	\$ 1,306
Public	482,834	(3)	482,831	453,290	(5)	453,285
OASI Subtotal	484,125	(9)	484,116	454,599	(8)	454,591
<b>DI Program</b>						
Intragovernmental	774	(5)	769	776	(4)	772
Public	99,196	(3)	99,193	92,742	(5)	92,737
DI Subtotal	99,970	(8)	99,962	93,518	(9)	93,509
<b>SSI Program</b>						
Intragovernmental	853	(7)	846	856	(8)	848
Public	36,406	(254)	36,152	37,528	(260)	37,268
SSI Subtotal	37,259	(261)	36,998	38,384	(268)	38,116
<b>Other Program</b>						
Intragovernmental	475	(4)	471	459	(2)	457
Public	1,222	(2)	1,220	1,309	(9)	1,300
Other Subtotal	1,697	(6)	1,691	1,768	(11)	1,757
<b>Total</b>	<b>\$ 623,051</b>	<b>\$ (284)</b>	<b>\$ 622,767</b>	<b>\$ 588,269</b>	<b>\$ (296)</b>	<b>\$ 587,973</b>

## **13. TAX REVENUES**

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of \$647,387 and \$620,007 million for the years ended September 30, 2007 and 2006.

## **14. IMPUTED FINANCING**

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of \$939 and \$937 million for the years ended September 30, 2007 and 2006 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of \$541 and \$537 million for the years ended September 30, 2007 and 2006 that represents annual service cost not paid by SSA.

## **15. BUDGETARY RESOURCES**

### **APPROPRIATIONS RECEIVED**

The Combined Statements of Budgetary Resources discloses Appropriations Received of \$832,560 and \$796,683 million for the years ended September 30, 2007 and 2006. Appropriations Received on the Consolidated Statements of Changes in Net Position are \$59,669 and \$56,832 million for the same years. The primary differences of \$772,891 and \$739,851 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

**APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B, and Exempt from Apportionment. The variance between FY 2007 and FY 2006 concerning Category B and Exempt from Apportionment is due to a reclassification of certain activities.

During FY 2006, it was determined that certain activities, consisting primarily of the OASI and DI Trust Fund transfer accounts and the Taxation of Social Security Benefits, should be classified as Exempt from Apportionment since these activities do not receive an apportionment from OMB.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30: (\$ in millions)						
	2007			2006		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	\$ 50,450	\$ 3,991	\$ 54,441	\$ 50,227	\$ 4,181	\$ 54,408
Exempt	607,374	0	607,374	574,724	5	574,729
Total	\$ 657,824	\$ 3,991	\$ 661,815	\$ 624,951	\$ 4,186	\$ 629,137

**PERMANENT INDEFINITE APPROPRIATION**

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner’s disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, their SSI benefits would terminate the month after the veterans leave the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

**LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES**

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending totals are included in Investments on the Consolidated Balance Sheets.



Chart 15b - OASI and DI Trust Fund Activities as of September 30: (\$ in millions)		
	2007	2006
Beginning Balance	\$ 1,924,920	\$ 1,743,299
Receipts	773,198	739,961
Less Obligations	589,328	558,340
Excess of Receipts Over Obligations	183,870	181,621
Ending Balance	\$ 2,108,790	\$ 1,924,920

### **UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Undelivered orders consist of unpaid orders of goods and/or services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are \$1,481 and \$1,373 million for the years ended September 30, 2007 and 2006.

### **EXPLANATION OF MATERIAL DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2006 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

A reconciliation has not been presented for the year ended September 30, 2007 since this report is published in November 2007 but the actual budget data for FY 2007 will not be available until December 2007 by the Department of Treasury.

## 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

### Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2007 and September 30, 2006 (Dollars in Millions)

	2007	2006
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 661,815	\$ 629,137
Less: Offsetting Collections and Recoveries	(14,190)	(13,952)
Obligations Net of Offsetting Collections and Recoveries	647,625	615,185
Less: Offsetting Receipts	(22,400)	(25,809)
Net Obligations	625,225	589,376
Other Resources		
Imputed Financing	541	537
Other	(249)	(253)
Net Other Resources Used to Finance Activities	292	284
Total Resources Used to Finance Activities	625,517	589,660
<b>Resources Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated, Not Yet Provided	238	(16)
Resources that Fund Expenses Recognized in Prior Periods	(3)	(10)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	21,461	20,158
Resources that Finance the Acquisition of Assets	(492)	(458)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(24,666)	(21,633)
Total Resources Not Part of the Net Cost of Operations	(3,462)	(1,959)
Total Resources Used to Finance the Net Cost of Operations	622,055	587,701
<b>Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	0	3
Other	386	361
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	386	364
Components Not Requiring or Generating Resources		
Depreciation and Amortization	296	234
Other	30	(326)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	326	(92)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	712	272
<b>Net Cost of Operations</b>	<b>\$ 622,767</b>	<b>\$ 587,973</b>

Chart 16, presents a reconciliation between proprietary and budgetary information. In previous years this reconciliation was accomplished by presenting the Statement of Financing as a Basic Financial Statement.

Effective for FY 2007, per OMB's authority under SFFAS #7, this information is presented as a schedule to the notes.

## **17. SOCIAL INSURANCE DISCLOSURES**

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future income (excluding interest), estimated future cost, and the excess of income over cost for the "open group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now or who are expected to eventually participate in the OASI and or DI Social Insurance programs.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions specified in the 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) and over the 75-year projection period beginning January 1, 2007. Similar estimates are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

In addition to the actuarial present value of estimated future excess of income over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for the "closed group" of participants. The closed group of participants consists of those who, in the starting year of the projection period, have attained age 15. The closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future income (excluding interest) for that group of participants.

Also included on the face of the Statement of Social Insurance as "additional information" for the open group are (1) the actuarial present value of the excess of estimated future income over the estimated future cost, (2) the combined OASI and DI Trust Fund assets at the start the period, and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, SSA believes their inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2007 totaled \$2,048 billion and were comprised almost entirely of investment securities which are backed by the full faith and credit of the Federal government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income over cost, and combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value which represents the magnitude of what is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and gross domestic product over the period.

**ASSUMPTIONS USED FOR THE STATEMENT OF SOCIAL INSURANCE**

The estimates used in this presentation for the current year (2007) are based on the assumption that the income and cost of the programs will continue at the levels scheduled under current law. They are also based on various economic and demographic assumptions, including those in the following table:

**Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2007**

	Total Fertility Rate <sup>1</sup>	Age-Sex-Adjusted Death Rate <sup>2</sup> (per 100,000)	Period Life Expectancy At Birth <sup>3</sup>		Net Annual Immigration (persons per year) <sup>4</sup>	Real-Wage Differential <sup>5</sup> (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate <sup>10</sup>
			Male	Female			Average Annual Wage in Covered Employment <sup>6</sup>	CPI <sup>7</sup>	Total Employment <sup>8</sup>	Real GDP <sup>9</sup>	
2007	2.04	839.8	75.1	79.7	1,075,000	2.7	4.6	1.9	1.0	2.6	4.6%
2010	2.03	825.3	75.5	79.9	1,000,000	1.4	4.2	2.8	0.8	2.6	5.7%
2020	2.02	764.5	76.7	80.7	950,000	1.0	3.8	2.8	0.4	2.1	5.7%
2030	2.00	705.4	77.7	81.6	900,000	1.1	3.9	2.8	0.3	2.0	5.7%
2040	2.00	652.8	78.6	82.4	900,000	1.1	3.9	2.8	0.4	2.0	5.7%
2050	2.00	606.6	79.5	83.1	900,000	1.1	3.9	2.8	0.3	2.0	5.7%
2060	2.00	565.7	80.3	83.8	900,000	1.1	3.9	2.8	0.3	1.9	5.7%
2070	2.00	529.3	81.1	84.5	900,000	1.1	3.9	2.8	0.3	1.9	5.7%
2080	2.00	496.8	81.9	85.1	900,000	1.1	3.9	2.8	0.3	1.9	5.7%

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex assumed for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services in the U.S. economy, expressed in 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The estimates used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values within 2 to 25 years from the start of the projection period. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, for the prior years is publicly available on the SSA website at: <http://www.ssa.gov/finance/>.

**Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years**

Year of Statement	Total Fertility Rate <sup>1</sup>	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates <sup>2</sup>	Net Annual Immigration (persons per year) <sup>3</sup>	Real-Wage Differential <sup>4</sup> (percentage points)	Average Annual Percentage Change In:			Average Annual Real Interest Rate <sup>8</sup>
					Average Annual Wage in Covered Employment <sup>5</sup>	CPI <sup>6</sup>	Total Employment <sup>7</sup>	
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9
FY 2005 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.3	3.0
FY 2004 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.4	3.0
FY 2003 unaudited	1.95	0.76	900,000	1.1	4.1	3.0	0.4	3.0

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 25<sup>th</sup> year of the projection period. For the 2006 estimates, the ultimate total fertility rate was increased from 1.95 to 2.0.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of a standard date if that population were to experience the death rates by age and sex for the selected year. For the FY 2003 statement, the standard date was April 1, 1990. For the 2004-2007 statements, the standard date was April 1, 2000. The more recent standard date places greater weight on higher ages where reduction in death rates is assumed to be slower. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction during each measurement period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2007 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The ultimate assumption is reached by the 20<sup>th</sup> year of the projection period.
4. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment, and the average annual Consumer Price Index (CPI). Except for minor fluctuations, the ultimate assumption is reached within the first 10 years of the projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The annual rate of change stabilizes after the first 10 years of the projection period except for minor fluctuations.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period. For the 2004 estimates, the assumption was decreased from 3.0 to 2.8 percent.
7. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2007 Statement, the average annual rate of change is consistent with the annual percentages as shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached within the first 10 years of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2007 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2007-2003 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

## **18. RECOVERY OF MEDICARE PREMIUMS**

SSA identified a systemic and recurring error in the process for recovering certain transfers to the Centers for Medicare and Medicaid Services (CMS) of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from social security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premiums transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately \$800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

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**Other Accompanying Information: Balance Sheet by Major Program  
as of September 30, 2007  
(Dollars in Millions)**

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
<b>Intragovernmental:</b>							
Fund Balance with Treasury	\$ (941)	\$ (361)	\$ 4,619	\$ 2,820	\$ 9	\$ 0	\$ 6,146
Investments	1,968,262	213,829	0	0	0	0	2,182,091
Interest Receivable, Net	25,041	2,686	0	0	0	0	27,727
Accounts Receivable, Net	0	0	0	0	2,295	(1,844)	451
<b>Total Intragovernmental</b>	<b>1,992,362</b>	<b>216,154</b>	<b>4,619</b>	<b>2,820</b>	<b>2,304</b>	<b>(1,844)</b>	<b>2,216,415</b>
Accounts Receivable, Net	2,332	2,780	5,224	0	14	(2,333)	8,017
Property, Plant and Equipment, Net	0	0	0	0	1,892	0	1,892
Other	0	0	0	0	5	0	5
<b>Total Assets</b>	<b>\$ 1,994,694</b>	<b>\$ 218,934</b>	<b>\$ 9,843</b>	<b>\$ 2,820</b>	<b>\$ 4,215</b>	<b>\$ (4,177)</b>	<b>\$ 2,226,329</b>
<b>Liabilities</b>							
<b>Intragovernmental:</b>							
Accrued Railroad Retirement Interchange	\$ 3,399	\$ 403	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,802
Accounts Payable	601	561	5,674	2,758	38	(1,844)	7,788
Other	0	0	0	0	95	0	95
<b>Total Intragovernmental</b>	<b>4,000</b>	<b>964</b>	<b>5,674</b>	<b>2,758</b>	<b>133</b>	<b>(1,844)</b>	<b>11,685</b>
Benefits Due and Payable	44,030	24,017	4,224	0	0	(2,333)	69,938
Accounts Payable	0	6	358	0	8	0	372
Other	0	0	386	5	872	0	1,263
<b>Total Liabilities</b>	<b>48,030</b>	<b>24,987</b>	<b>10,642</b>	<b>2,763</b>	<b>1,013</b>	<b>(4,177)</b>	<b>83,258</b>
<b>Net Position</b>							
Unexpended Appropriations-Earmarked Funds	0	0	0	57	0	0	57
Unexpended Appropriations-Other Funds	0	0	2,207	0	15	0	2,222
Cumulative Results of Operations-Earmarked Funds	1,946,664	193,947	6	0	0	0	2,140,617
Cumulative Results of Operations-Other Funds	0	0	(3,012)	0	3,187	0	175
<b>Total Net Position</b>	<b>1,946,664</b>	<b>193,947</b>	<b>(799)</b>	<b>57</b>	<b>3,202</b>	<b>0</b>	<b>2,143,071</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,994,694</b>	<b>\$ 218,934</b>	<b>\$ 9,843</b>	<b>\$ 2,820</b>	<b>\$ 4,215</b>	<b>\$ (4,177)</b>	<b>\$ 2,226,329</b>



**Other Accompanying Information: Schedule of Net Cost for the Year Ended  
September 30, 2007**  
(Dollars in Millions)

	Program	LAE	Total
<b>OASI Program</b>			
Benefit Payments	\$ 481,026	\$ 0	\$ 481,026
Operating Expenses	589	2,510	3,099
Total Cost of OASI Program	481,615	2,510	484,125
Less: Exchange Revenues	0	9	9
<b>Net Cost of OASI Program</b>	<b>481,615</b>	<b>2,501</b>	<b>484,116</b>
<b>DI Program</b>			
Benefit Payments	97,410	0	97,410
Operating Expenses	179	2,381	2,560
Total Cost of DI Program	97,589	2,381	99,970
Less: Exchange Revenues	0	8	8
<b>Net Cost of DI Program</b>	<b>97,589</b>	<b>2,373</b>	<b>99,962</b>
<b>SSI Program</b>			
Benefit Payments	34,142	0	34,142
Operating Expenses	104	3,013	3,117
Total Cost of SSI Program	34,246	3,013	37,259
Less: Exchange Revenues	250	11	261
<b>Net Cost of SSI Program</b>	<b>33,996</b>	<b>3,002</b>	<b>36,998</b>
<b>Other</b>			
Benefit Payments	8	0	8
Operating Expenses	3	1,686	1,689
Total Cost of Other	11	1,686	1,697
Less: Exchange Revenues	0	6	6
<b>Net Cost of Other</b>	<b>11</b>	<b>1,680</b>	<b>1,691</b>
<b>Total Net Cost</b>			
Benefit Payments	612,586	0	612,586
Operating Expenses	875	9,590	10,465
Total Cost	613,461	9,590	623,051
Less: Exchange Revenues	250	34	284
<b>Total Net Cost</b>	<b>\$ 613,211</b>	<b>\$ 9,556</b>	<b>\$ 622,767</b>

**Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2007**  
(Dollars in Millions)

	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>				
Earmarked Funds	\$ 1,771,908	\$ 183,007	\$ 6	\$ 0
All Other Funds	0	0	(2,918)	1,596
Adjustments				
Corrections of Errors	(5,042)	5,042	0	0
<b>Total All Funds</b>	<b>1,766,866</b>	<b>188,049</b>	<b>(2,912)</b>	<b>1,596</b>
<b>Budgetary Financing Sources</b>				
Appropriations Received				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	40,300
Other Adjustments				
Earmarked Funds	0	0	0	0
Appropriations Used				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	39,689	(39,689)
Tax Revenues-Earmarked Funds	553,414	93,973	0	
Interest Revenues-Earmarked Funds	97,431	11,026	0	
Transfers In/Out Without Reimbursement				
Earmarked Funds	14,120	(1,065)	0	
All Other Funds	0	0	(5,668)	
Railroad Retirement Interchange - Earmarked Funds	(3,563)	(505)	0	
Net Transfers In/Out				
Earmarked Funds	10,557	(1,570)	0	
All Other Funds	0	0	(5,668)	
Other Budgetary Financing Sources-				
Earmarked Funds	11	58	(119)	
<b>Other Financing Sources (Non-Exchange)</b>				
Transfers In/Out-All Other Funds	0	0	0	
Imputed Financing Sources-All Other Funds	0	0	0	
<b>Total Financing Sources</b>				
Earmarked Funds	661,413	103,487	(119)	0
All Other Funds	0	0	34,021	611
<b>Net Cost of Operations</b>				
Earmarked Funds	481,615	97,589	(119)	
All Other Funds	0	0	34,115	
<b>Net Change</b>				
Earmarked Funds	179,798	5,898	0	
All Other Funds	0	0	(94)	
<b>Ending Balances</b>				
Earmarked Funds	1,946,664	193,947	6	0
All Other Funds	0	0	(3,012)	2,207
<b>Total All Funds</b>	<b>\$ 1,946,664</b>	<b>\$ 193,947</b>	<b>\$ (3,006)</b>	<b>\$ 2,207</b>

### Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2007 (Continued)

(Dollars in Millions)

	Other		LAE		Consolidated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>						
Earmarked Funds	\$ 0	\$ 57	\$ 0	\$ 0	\$ 1,954,921	\$ 57
All Other Funds	0	0	2,757	18	(161)	1,614
Adjustments						
Corrections of Errors	0	0	0	0	0	0
<b>Total All Funds</b>	0	57	2,757	18	1,954,760	1,671
<b>Budgetary Financing Sources</b>						
Appropriations Received						
Earmarked Funds	0	19,335	0	0	0	19,335
All Other Funds	0	8	0	26	0	40,334
Other Adjustments						
Earmarked Funds	0	(9)	0	0	0	(9)
Appropriations Used						
Earmarked Funds	19,326	(19,326)	0	0	19,326	(19,326)
All Other Funds	8	(8)	29	(29)	39,726	(39,726)
Tax Revenues-Earmarked Funds	0	0	0	0	647,387	0
Interest Revenues-Earmarked Funds	0	0	0	0	108,457	0
Transfers In/Out Without Reimbursement						
Earmarked Funds	(19,323)	0	0	0	(6,268)	0
All Other Funds	2,757	0	9,360	0	6,449	0
Railroad Retirement Interchange - Earmarked Funds	0	0	0	0	(4,068)	0
Net Transfers In/Out						
Earmarked Funds	(19,323)	0	0	0	(10,336)	0
All Other Funds	2,757	0	9,360	0	6,449	0
Other Budgetary Financing Sources-						
Earmarked Funds	0	0	0	0	(50)	0
<b>Other Financing Sources (Non-Exchange)</b>						
Transfers In/Out-All Other Funds	(2,757)	0	56	0	(2,701)	0
Imputed Financing Sources-All Other Funds	0	0	541	0	541	0
<b>Total Financing Sources</b>						
Earmarked Funds	3	0	0	0	764,784	0
All Other Funds	8	0	9,986	(3)	44,015	608
<b>Net Cost of Operations</b>						
Earmarked Funds	3	0	0	0	579,088	0
All Other Funds	8	0	9,556	0	43,679	0
<b>Net Change</b>						
Earmarked Funds	0	0	0	0	185,696	0
All Other Funds	0	0	430	0	336	0
<b>Ending Balances</b>						
Earmarked Funds	0	57	0	0	2,140,617	57
All Other Funds	0	0	3,187	15	175	2,222
<b>Total All Funds</b>	\$ 0	\$ 57	\$ 3,187	\$ 15	\$ 2,140,792	\$ 2,279

**Required Supplementary Information: Schedule of Budgetary Resources for the Year Ended September 30, 2007**  
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
<b>Budgetary Resources</b>						
<b>Unobligated Balances, Brought Forward, October 1</b>	\$ 0	\$ 0	\$ 1,236	\$ 57	\$ 498	\$ 1,791
<b>Recoveries of Prior Year Unpaid Obligations</b>	3	3	294	1	184	485
<b>Budget Authority</b>						
Appropriations Received	666,417	106,474	40,300	19,343	26	832,560
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	3,931	5	48	3,984
Change in Receivable	0	0	15	0	(6)	9
Change in Unfilled Customer Orders						
Advance Received	0	0	349	0	(1)	348
Without Advance	0	0	0	0	0	0
Expenditure Transfers from Trust Funds	0	0	2	0	9,362	9,364
<b>Subtotal</b>	<b>666,417</b>	<b>106,474</b>	<b>44,597</b>	<b>19,348</b>	<b>9,429</b>	<b>846,265</b>
<b>Nonexpenditure Transfers, Net</b>	<b>(4,906)</b>	<b>5,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>274</b>
<b>Temporary Not Available Pursuant to Public Law</b>	<b>(172,749)</b>	<b>(11,121)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(183,870)</b>
<b>Permanently Not Available</b>	<b>36</b>	<b>(9)</b>	<b>0</b>	<b>(10)</b>	<b>(1)</b>	<b>16</b>
<b>Total Budgetary Resources</b>	<b>\$ 488,801</b>	<b>\$ 100,527</b>	<b>\$ 46,127</b>	<b>\$ 19,396</b>	<b>\$ 10,110</b>	<b>\$ 664,961</b>
<b>Status of Budgetary Resources</b>						
<b>Obligations Incurred</b>						
Direct	\$ 488,801	\$ 100,527	\$ 39,680	\$ 19,335	\$ 9,481	\$ 657,824
Reimbursable	0	0	3,946	5	40	3,991
<b>Subtotal</b>	<b>488,801</b>	<b>100,527</b>	<b>43,626</b>	<b>19,340</b>	<b>9,521</b>	<b>661,815</b>
<b>Unobligated Balances</b>						
Apportioned	0	0	2,456	25	321	2,802
Exempt from Apportionment	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>2,456</b>	<b>25</b>	<b>321</b>	<b>2,802</b>
<b>Unobligated Balances - Not Available</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>31</b>	<b>268</b>	<b>344</b>
<b>Total Status of Budgetary Resources</b>	<b>\$ 488,801</b>	<b>\$ 100,527</b>	<b>\$ 46,127</b>	<b>\$ 19,396</b>	<b>\$ 10,110</b>	<b>\$ 664,961</b>
<b>Change in Obligated Balances</b>						
<b>Obligated Balances, Net</b>						
Unpaid Obligations, Brought Forward, October 1	\$ 45,544	\$ 24,375	\$ 1,483	\$ 4	\$ 1,652	\$ 73,058
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	0	0	9	0	(2,078)	(2,069)
<b>Total Unpaid Obligated Balance, Net</b>	<b>45,544</b>	<b>24,375</b>	<b>1,492</b>	<b>4</b>	<b>(426)</b>	<b>70,989</b>
<b>Obligations Incurred, Net</b>	<b>488,801</b>	<b>100,527</b>	<b>43,626</b>	<b>19,340</b>	<b>9,521</b>	<b>661,815</b>
<b>Gross Outlays</b>	<b>(486,312)</b>	<b>(99,851)</b>	<b>(42,864)</b>	<b>(19,340)</b>	<b>(9,292)</b>	<b>(657,659)</b>
<b>Recoveries of Prior Year Unpaid Obligations, Actual</b>	<b>(3)</b>	<b>(3)</b>	<b>(294)</b>	<b>(1)</b>	<b>(184)</b>	<b>(485)</b>
<b>Change in Uncollected Payments from Federal Sources</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>0</b>	<b>(200)</b>	<b>(215)</b>
<b>Obligated Balance, Net, End of Period</b>						
Unpaid Obligations	48,030	25,048	1,951	3	1,697	76,729
Uncollected Payments from Federal Sources	0	0	(6)	0	(2,278)	(2,284)
<b>Total Unpaid Obligated Balance, Net, End of Period</b>	<b>48,030</b>	<b>25,048</b>	<b>1,945</b>	<b>3</b>	<b>(581)</b>	<b>74,445</b>
<b>Net Outlays</b>						
Gross Outlays	486,312	99,851	42,864	19,340	9,292	657,659
Offsetting Collections	0	0	(4,282)	(5)	(9,204)	(13,491)
Distributed Offsetting Receipts	(17,543)	(1,850)	(250)	(2,757)	0	(22,400)
<b>Net Outlays</b>	<b>\$ 468,769</b>	<b>\$ 98,001</b>	<b>\$ 38,332</b>	<b>\$ 16,578</b>	<b>\$ 88</b>	<b>\$ 621,768</b>

## REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

### PROGRAM DESCRIPTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as “Social Security,” provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2006, OASDI benefits were paid to more than 49 million beneficiaries. Eligibility and benefit amounts are determined under the laws applicable for the period. Current law provides that the amount of the monthly benefit payments for workers, or their eligible dependents or survivors, is based on the workers’ lifetime earnings histories.

The OASDI program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries. The retired-worker benefits it pays replaces a larger proportion of earned income for lower earners than for higher earners. The amount of OASDI income and benefits may be altered by changes in laws governing the program.

### PROGRAM FINANCES AND SUSTAINABILITY

As discussed in Note 8 to the consolidated financial statements, a liability of \$66 billion as of September 30, 2007 (\$63 billion as of September 30, 2006) is included in “Benefits Due and Payable” on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date. Virtually all of this amount was paid in October 2007. Also, an asset of \$2,182 billion as of September 30, 2007 (\$1,995 billion as of September 30, 2006) is recognized for the “investments in Treasury securities.” These investments are referred to as the combined OASI and DI Trust Fund assets throughout the remainder of this Required Supplementary Information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investment Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2007. This is because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid, or are due to be paid, because benefit payments are primarily nonexchange transactions and are not considered deferred compensation, as would employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker’s expected retirement benefits has been recognized by the time the worker retires.

**REQUIRED SUPPLEMENTARY INFORMATION** - While no liability has been recognized on the balance sheet for future payments beyond those due at the reporting date, actuarial estimates are made of the long-range financial condition of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

- **income:** payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; interest income from Treasury securities held as assets of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **income excluding interest:** income, as defined above, excluding the interest income from Treasury securities held as assets of the OASI and DI Trust Funds;
- **cost:** scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **cashflow:** either income excluding interest, or cost, depending on the context, expressed in nominal dollars;
- **net cashflow:** income excluding interest less cost, expressed in nominal dollars;

- **present value:** the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the payments as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2007 Trustees Report) (see Note 17 to the Statement of Social Insurance). The Statement of Social Insurance and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

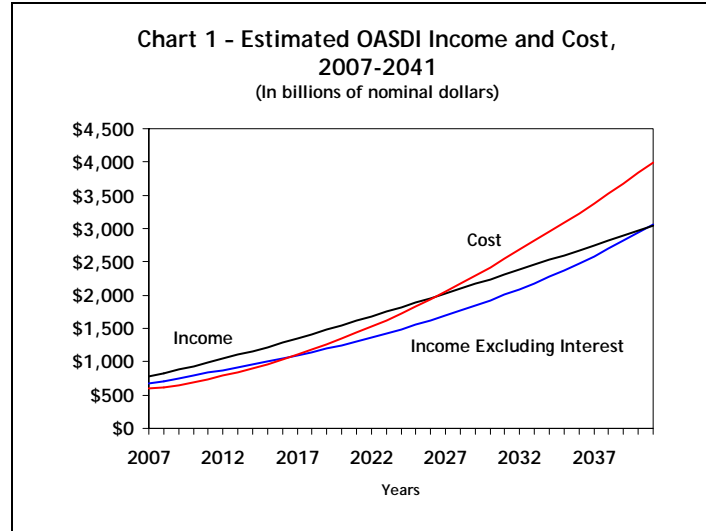
- (1) actuarial present values of future estimated cost for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;
- (2) estimated annual income (excluding interest) and cost in nominal dollars and as percentages of taxable payroll and GDP;
- (3) the ratio of estimated covered workers to estimated beneficiaries; and
- (4) an analysis of the sensitivity of the projections to changes in selected assumptions.

**SUSTAINABLE SOLVENCY** - Based on the estimates of income and cost presented in the Statement of Social Insurance, the OASDI program would not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to maintain assets in the combined OASI and DI Trust Funds at all times within the 75-year projection period. In addition, the assets in the combined OASI and DI Trust Funds would need to be stable or rising as a percentage of annual program cost at the end of the period.

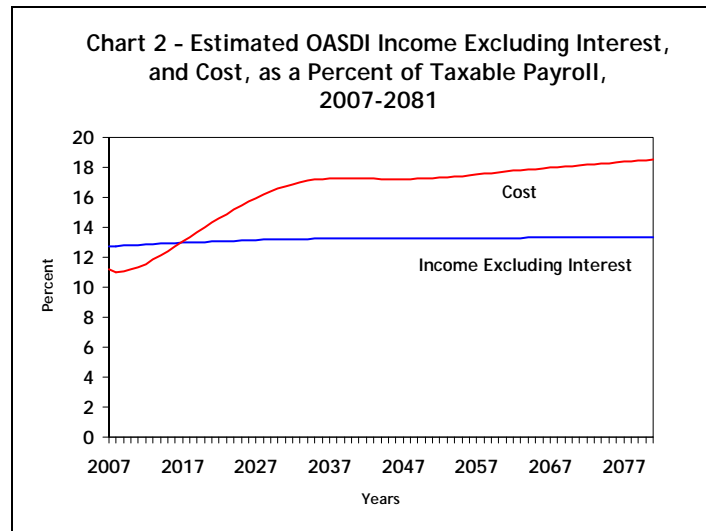
**CASHFLOW PROJECTIONS** - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2007-2041 in nominal dollars. These estimates are only displayed through 2041, the year that the combined OASI and DI Trust Funds are projected to become exhausted. At the point of such exhaustion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income. Thus, extension of this chart, which is intended to illustrate the source of revenue needed to meet the cost of the program, beyond the point of combined OASI and DI Trust Fund exhaustion, would be inappropriate.

The estimates are for the open-group population, all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both, during that period. Thus, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include cost on behalf of such workers during that period.

As chart 1 shows, estimated cost starts to exceed income (including interest) in 2027. This occurs because of a variety of factors including the retirement of the “baby boom” generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated cost starts to exceed income excluding interest in 2017. At that time, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption will differ from that of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. To finance this redemption, the government would have to increase its borrowing from the public, raise taxes (other than OASDI payroll taxes), and/or reduce expenditures (other than OASDI cost). Alternatively, the government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.



**PERCENTAGE OF TAXABLE PAYROLL** - Chart 2 shows estimated annual income excluding interest and cost expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent), and the 12.4 percent that is paid on taxable self-employment income. Prior to 2017, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2017, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2030 and is rising steadily at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 70 percent of the estimated cost.

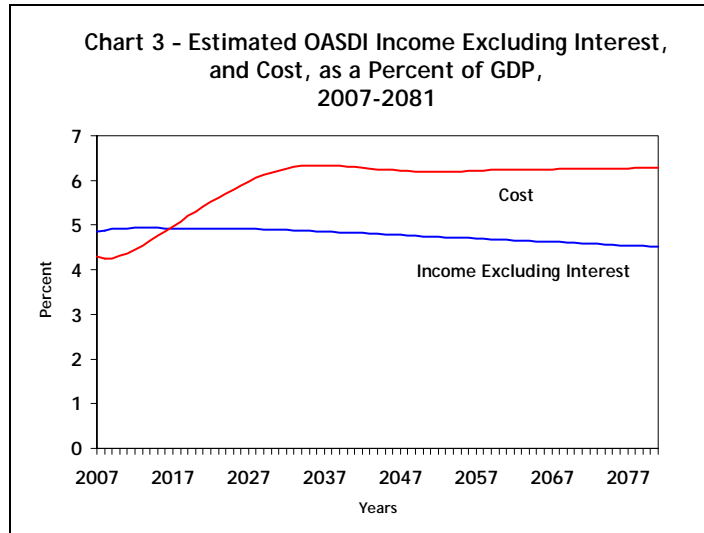


**ACTUARIAL BALANCE** - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$6,763 billion. If augmented by the combined OASI and DI Trust Fund assets at the start of the period (January 1, 2007), it is -\$4,715 billion. This excess does not equate to the actuarial balance in the Trustees Report of -1.95 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level by the end of the period.

One interpretation of this negative actuarial balance (-1.95 percent of taxable payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain

at that level. An increase of 1.95 percentage points in this rate for each year of the 75-year projection period (0.975 percentage points for employees and employers each, resulting in a total rate of 14.35 percent or a rate of 7.175 percent for each) is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all benefits during this period could be reduced by about 13.0 percent on average (or there could be some combination of both tax increases and benefit reductions) to achieve the same effect.

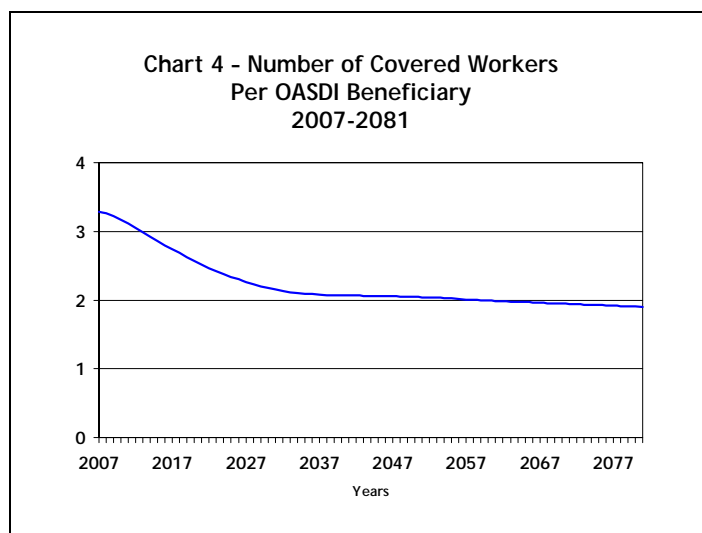
**PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP)** - Chart 3 shows estimated annual income excluding interest and cost expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.



In 2006, OASDI cost was about \$555 billion, which was about 4.2 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.2 percent of GDP in 2030 and then gradually increases to 6.3 percent of GDP in 2081. The increase will occur because baby boomers will become eligible for OASDI benefits, lower birth rates will result in fewer workers per beneficiary, and beneficiaries will continue to live longer.

**RATIO OF WORKERS TO BENEFICIARIES** - Chart 4 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes on the basis of services for wages in covered employment and/or on the basis of income from covered self-employment. The estimated number of workers per beneficiary will decline from 3.3 in 2006 to 1.9 in 2081.





## SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because perfect long-range projections of these factors are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real-wage differential, consumer price index, and real interest rate. The range of values chosen for the sensitivity analysis is intended to present a reasonable range within which future experience is generally expected to fall, on average over long time periods. The range of values is not intended to represent any particular probability interval around the intermediate assumptions.

For this analysis, the intermediate assumptions in the 2007 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2007 and are based on estimates of income and cost during the 75-year projection period 2007-2081. In this section, for brevity, “income” means “income excluding interest.”

For each assumption analyzed, one table and two charts are presented. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. The first chart shows estimated annual OASDI net cashflow based on each of those values. The second chart, labeled with the suffix “A,” shows the present value of each net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today’s dollar. Because the calculation of present values is a discounting process, the magnitude of the present value for each year in the second chart is lower than the corresponding net cashflow amount in the first chart--positive values are less positive and negative values are less negative.

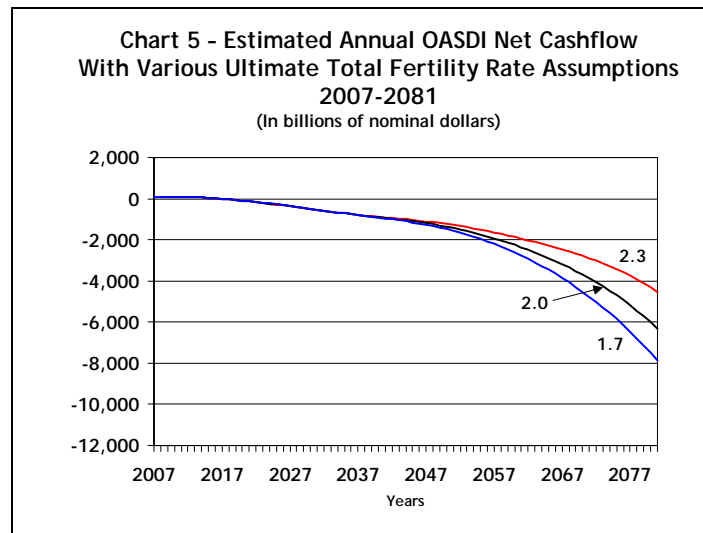
Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Reports present high-cost and low-cost alternative assumption sets which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees have also recently added to their Annual Report an additional way of analyzing variability in assumptions and cost based on a stochastic model developed by the Office of the Chief Actuary.

**TOTAL FERTILITY RATE** - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate total fertility rate. These assumptions are 1.7, 2.0 and 2.3 children per woman, where 2.0 is the intermediate assumption in the 2007 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2031.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 2.0 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,488 billion, from \$6,763 billion; if the ultimate rate were changed to 2.3, the shortfall would decrease to \$6,016 billion.

<b>Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2007-2081</b>			
Ultimate Total Fertility Rate	1.7	2.0	2.3
Present Value of Estimated Excess (In billions)	-\$7,488	-\$6,763	-\$6,016

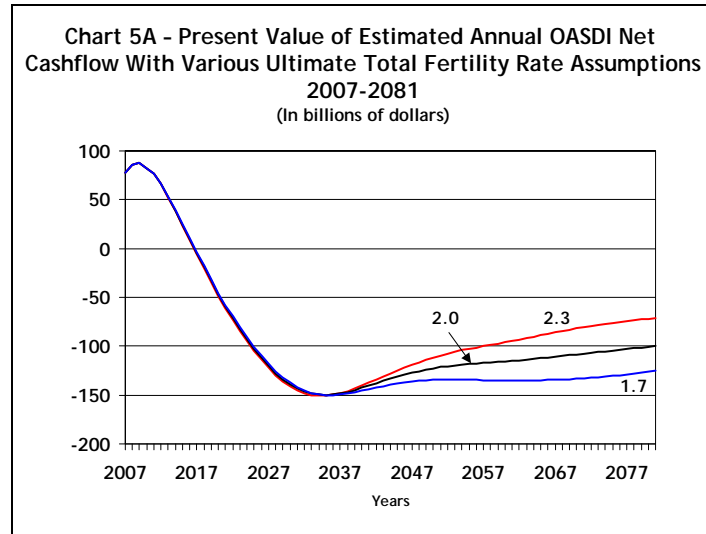
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2081. They remain positive through 2016 and are increasingly negative thereafter. While the fertility rate would have a substantial effect for the next 75-year period as a whole, it would have only a minor effect for the first 34 years before the combined OASI and DI Trust Funds are projected to become depleted under each of these fertility assumptions.

In the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2036 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from 2036 on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

Chart 5A shows the present value of the estimated annual OASDI net cashflow.



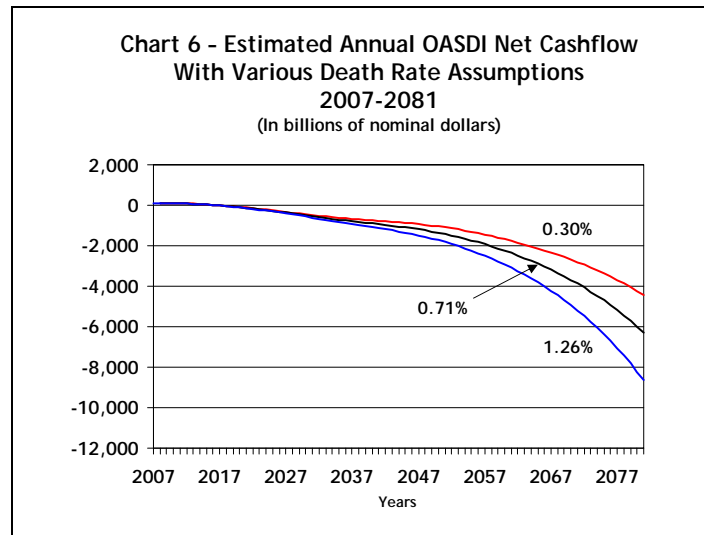
The three patterns of the present values shown in Chart 5A are similar. After increasing for two years, the present values decrease rapidly until around 2030. They remain positive through 2016 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2035 for a total fertility rate of 2.3, 2036 for a total fertility rate of 2.0, and 2037 for a total fertility rate of 1.7). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2037 than it would to cover the annual deficit in 2036.

**MORTALITY** - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2006-2081 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.30, 0.71 and 1.26 percent per year, where 0.71 percent is the intermediate assumption in the 2007 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 20, 41 and 61 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.3 in 2006 to 80.4, 83.5, and 87.6 in 2081 for average annual reductions in the age-sex-adjusted death rate of 0.30, 0.71 and 1.26 percent, respectively.

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.71 percent, the Trustees' intermediate assumption, to 0.30 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to \$5,233 billion, from \$6,763 billion; if the annual reduction were changed to 1.26 percent, meaning that people live longer, the shortfall would increase to \$8,595 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2007-2081			
Average Annual Reduction in Death Rates (from 2006 to 2081)	0.30 Percent	0.71 Percent	1.26 Percent
Present Value of Estimated Excess (In billions)	-\$5,233	-\$6,763	-\$8,595

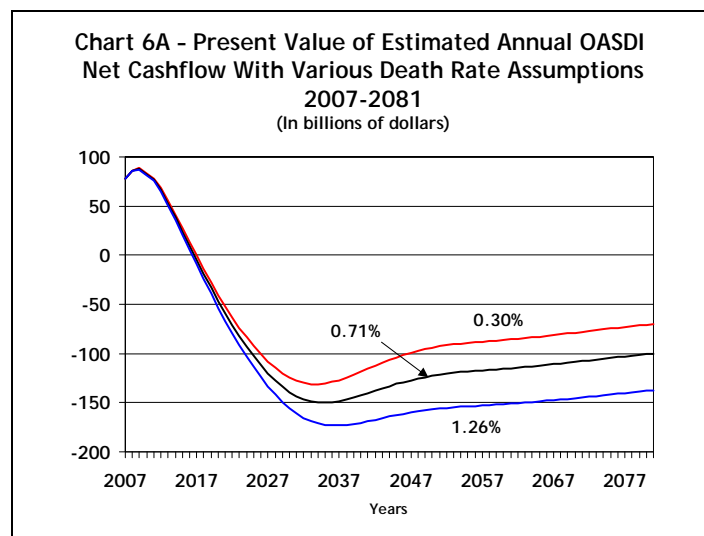
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2081. They remain positive through 2016 for all three assumptions, after which the annual net cashflow estimates are negative. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher cost, cost increases more than income. For any given year, reductions in death rates at the earliest retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). At young ages, death rates are so low that even substantial reductions do not result in significant increases in either the number of covered workers or beneficiaries.

Chart 6A shows the present value of the estimated annual OASDI net cashflow.



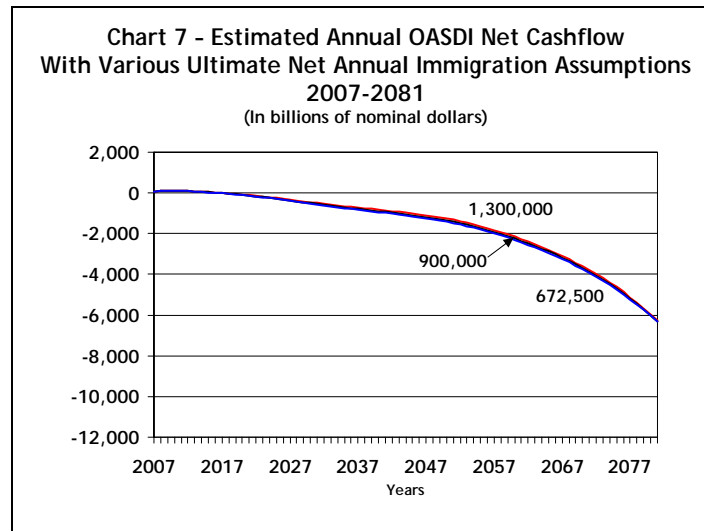
The three patterns of the present values shown in Chart 6A are similar. After increasing for two years, the present values decrease rapidly until around 2030. They remain positive through 2016 under all three assumptions, after which the present values are negative. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2036 and 2038 for assumptions of reductions of 0.30, 0.71 and 1.26 percent per year, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

**NET ANNUAL IMMIGRATION** - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of net annual immigration. These assumptions are that the ultimate net annual immigration (legal and other) will be 672,500 persons, 900,000 persons and 1,300,000 persons, where 900,000 persons is the intermediate assumption in the 2007 Trustees Report.

Table 3 demonstrates that, if net annual immigration is changed from 900,000 persons, the Trustees' intermediate ultimate assumption, to 672,500 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,112 billion, from \$6,763 billion. If the ultimate net annual immigration assumption were changed to 1,300,000 persons, the present value of the shortfall would decrease to \$6,266 billion.

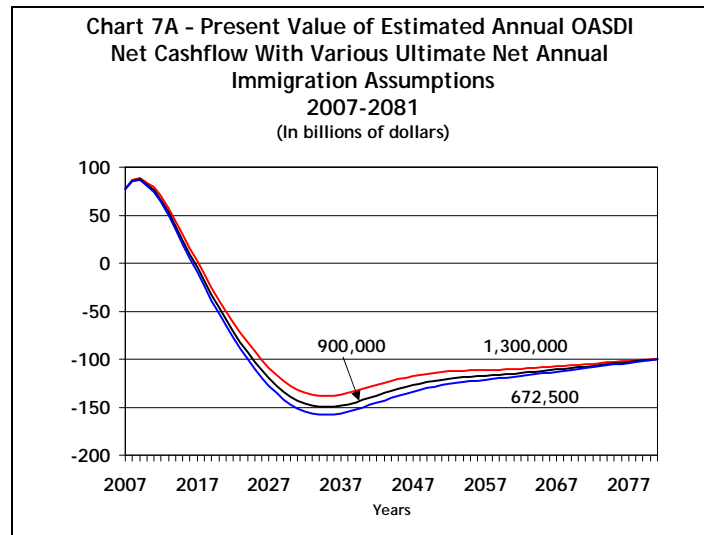
Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2007-2081			
Ultimate Net Annual Immigration	672,500 Persons	900,000 Persons	1,300,000 Persons
Present Value of Estimated Excess (In billions)	-\$7,112	-\$6,763	-\$6,266

Charts 7 and 7A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 7 are similar. After increasing in the first two years, the net cashflow estimates decrease steadily through 2081. They remain positive through 2016 for the annual ultimate net immigration of 672,500 and 900,000 persons and through 2017 for an ultimate net annual immigration assumption of 1,300,000 persons. Very little difference is discernible among the estimates of net cashflow based on the three assumptions about net annual immigration.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7A are similar. After increasing for two years, the present values decrease rapidly until around 2030. They remain positive through 2016 for the assumed ultimate net annual immigration of 672,500 and 900,000 persons and through 2017 for an ultimate net annual immigration assumption of 1,300,000 persons, after which the present values are negative. Present values based on all three assumptions about net annual immigration begin to increase (become less negative) in 2036 for all three assumptions.

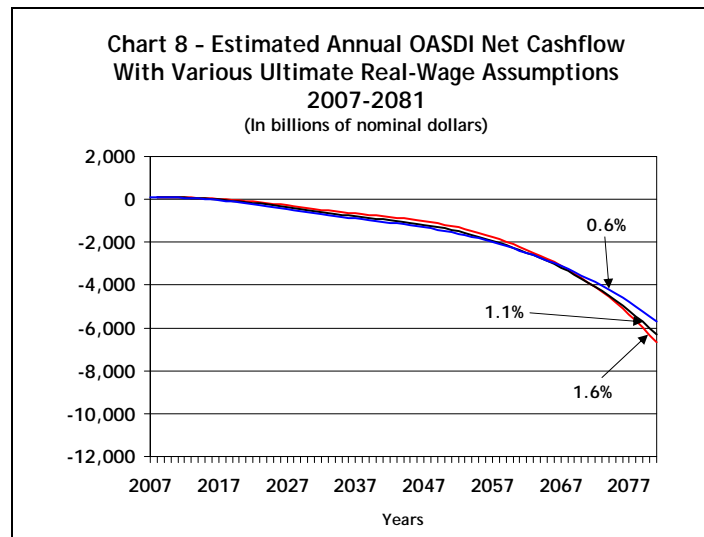
Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three assumptions about net annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are higher (less negative in later years) for higher net annual immigration. Because a constant number of net immigrants is assumed each year, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Thus, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

**REAL-WAGE DIFFERENTIAL** - The real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.6, 1.1 and 1.6 percentage points, where 1.1 percentage point is the intermediate assumption in the 2007 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.8 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.4, 3.9 and 4.4 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.1 percentage point, the Trustees' intermediate assumption, to 0.6 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,482 billion from \$6,763 billion; if the ultimate real-wage differential were changed from 1.1 to 1.6 percentage points, the shortfall would decrease to \$5,757 billion.

<b>Table 4: Present Value of Estimated Excess of OASDI Income over Cost                      With Various Ultimate Real-Wage Assumptions                      Valuation Period: 2007-2081</b>			
Ultimate Annual Increase in Wages, CPI; <b>Real Wage Differential</b>	3.4% , 2.8%; <b>0.6%</b>	3.9% , 2.8%; <b>1.1%</b>	4.4% , 2.8%; <b>1.6%</b>
Present Value of Estimated Excess (In billions)	-\$7,482	-\$6,763	-\$5,757

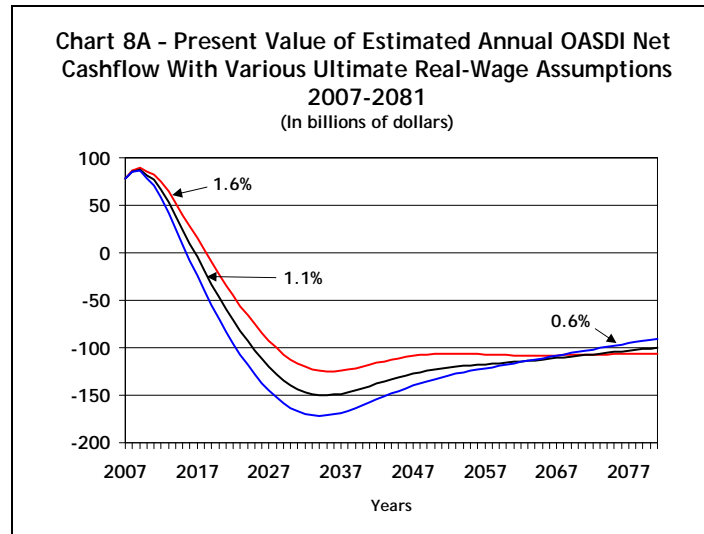
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 8 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 generally increase in the early years, and then decrease steadily thereafter. Estimated net cashflow remains positive through 2015, 2016 and 2018 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and is negative thereafter.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, around 2070, annual net cashflow becomes lower (more negative) for higher assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds income excluding interest. These effects are depicted by the patterns in Chart 8A crossing during the later years of the projection period.

Chart 8A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 8A increase for two years, and then, decrease rapidly until around 2030. They remain positive through 2015, 2016 and 2018 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2036 and 2037 for an assumed ultimate real-wage differential of 0.6, 1.1 and 1.6 percentage points, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.6 percentage points, the present values continue increasing temporarily until 2053 when decreases temporarily begin again. The present values for the other two assumptions continue increasing throughout the remaining projection period. The crossover of the patterns that occurs during the later years of the projection period in Chart 8 is also evident in the present values patterns.

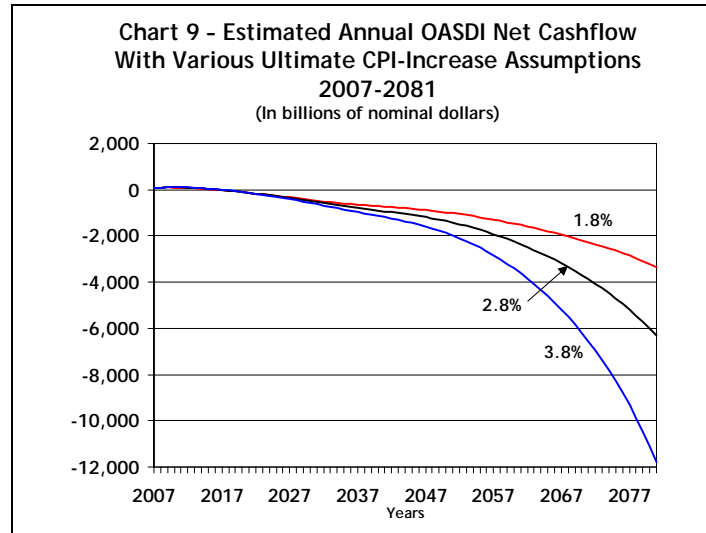
**CONSUMER PRICE INDEX** - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.8, 2.8 and 3.8 percent, where 2.8 percent is the intermediate assumption in the 2007 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.1 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 2.9, 3.9 and 4.9 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 2.8 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to \$7,218 billion, from \$6,763 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to \$6,301 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--is explained below.

<b>Table 5: Present Value of Estimated Excess of OASDI Income over Cost                      With Various Ultimate CPI-Increase Assumptions                      Valuation Period: 2007-2081</b>			
Ultimate Annual Increase in Wages, CPI; Real Wage Differential	2.9% , <b>1.8%</b> ; 1.1%	3.9% , <b>2.8%</b> ; 1.1%	4.9% , <b>3.8%</b> ; 1.1%
Present Value of Estimated Excess (In billions)	-\$7,218	-\$6,763	-\$6,301



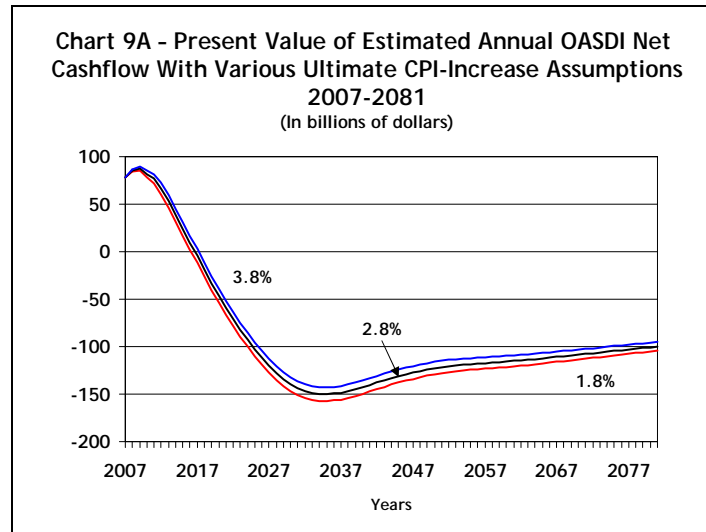
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2081. Annual net cashflow remains positive through 2016 for assumed ultimate annual increases in the CPI of 1.8 percent and 2.8 percent; and through 2017 for an assumed ultimate annual increase in the CPI of 3.8 percent. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher benefits based on these higher wages. Larger increases in the CPI also produce higher benefits directly, by increasing the cost-of-living adjustments to benefits. Thus, larger increases in the CPI result in both higher income and higher cost in nominal dollars.

Larger increases in the CPI cause earnings and income to increase sooner, and thus by more in each year, than benefits and cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Initially (through 2021) the larger percentage increase in CPI results in a larger nominal-dollar increase in income, so net cashflow is increased for higher inflation in Chart 9. However, shortly after 2021, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because program income begins to fall well below program cost, and thus the larger percentage increases in CPI eventually produce smaller nominal-dollar increases in income than in program cost.

Chart 9A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 9A are similar. After increasing for two years, present values decrease rapidly until around 2030 before beginning to increase once again. They remain positive through 2016 (2017 for an assumed ultimate annual increase in the CPI of 3.8 percent) and are negative thereafter. Present values begin to increase (become less negative) in 2036 for all three assumptions. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

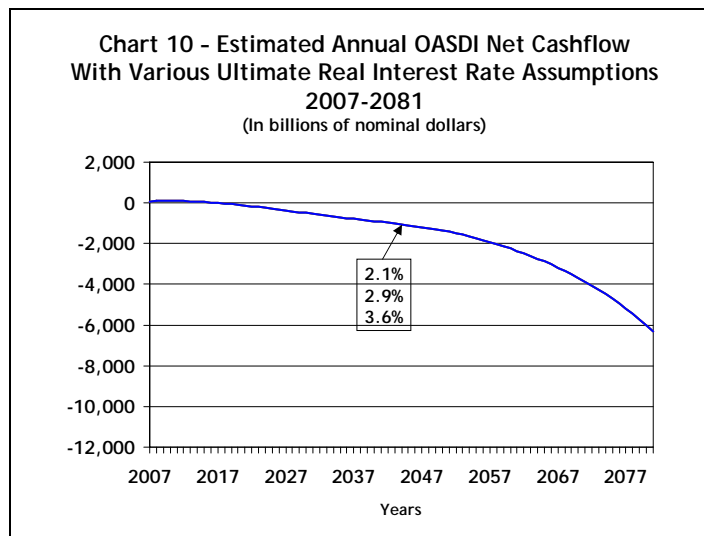
The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 9.

**REAL INTEREST RATE** - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.1, 2.9 and 3.6 percent, where 2.9 percent is the intermediate assumption in the 2007 Trustees Report. Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change.

Table 6 demonstrates that, if the ultimate real interest rate is changed from 2.9 percent, the Trustees' intermediate assumption, to 2.1 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to \$9,414 billion, from \$6,763 billion; if the ultimate annual real interest rate were changed to 3.6 percent, the present-value shortfall would decrease to \$5,120 billion.

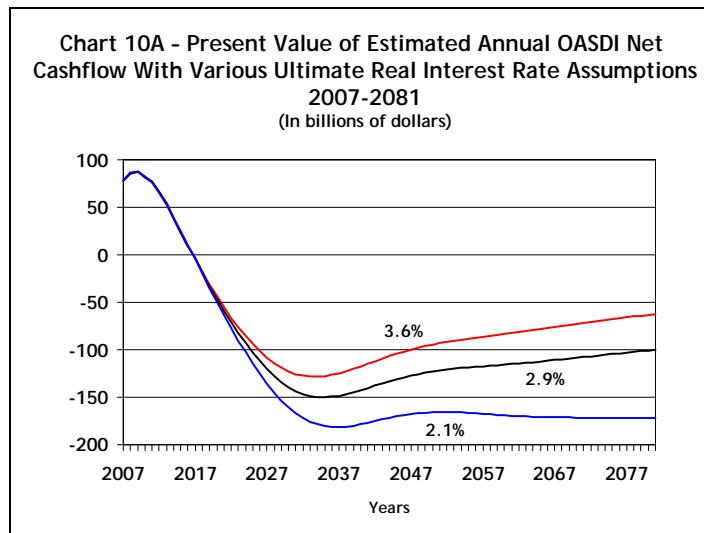
<b>Table 6: Present Value of Estimated Excess of OASDI Income over Cost                      With Various Ultimate Real-Interest Assumptions                      Valuation Period: 2007-2081</b>			
Ultimate Annual Real Interest Rate	2.1 Percent	2.9 Percent	3.6 Percent
Present Value of Estimated Excess (In billions)	-\$9,414	-\$6,763	-\$5,120

Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 10 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow (which does not include interest) shown in Chart 10 are identical, because interest rates do not affect cashflow. After increasing through 2009, the net cashflow estimates decrease steadily through 2081. They remain positive through 2016 and are negative thereafter.

Chart 10A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 10A are similar. After increasing for two years, the present values decrease rapidly until around 2030. They remain positive through 2016 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2038, 2036 and 2034 for assumed ultimate real interest rates of 2.1, 2.9 and 3.6 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real interest rate of 2.1 percent, the present values continue increasing temporarily, through 2053, then generally decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

Although not observable, Chart 10A includes a crossover in the patterns of the present values of the net cashflow. The crossover occurs at the time the net cashflow changes from positive to negative, which happens in 2017. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

# AUDITOR'S REPORTS



## SOCIAL SECURITY

November 7, 2007

To: The Honorable Michael J. Astrue  
Commissioner

This letter transmits the PricewaterhouseCoopers LLP (PwC) *Report of Independent Auditors* on the audit of the Social Security Administration's (SSA) Fiscal Year (FY) 2007 and 2006 financial statements. PwC's Report includes the firm's *Opinion on the Financial Statements, Report on Management's Assertion About the Effectiveness of Internal Control*, and *Report on Compliance and Other Matters*.

### **Objective of a Financial Statement Audit**

The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

PwC's audit was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. The audit included obtaining an understanding of the internal control over financial reporting and testing and evaluating the design and operating effectiveness of the internal control. Because of inherent limitations in any internal control, there is a risk that errors or fraud may occur and not be detected. The risk of fraud is inherent to many of SSA's programs and operations, especially within the Supplemental Security Income program. In our opinion, people outside the organization perpetrate most of the fraud against SSA.

### **Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576), as amended, requires SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), PwC, an independent certified public accounting firm, audited SSA's FY 2007 financial statements. PwC also audited the FY 2006 financial statements, presented in SSA's Performance and Accountability Report for FY 2007 for comparative purposes. PwC issued an unqualified opinion on SSA's FY 2007 and 2006 financial statements. PwC also reported that SSA's assertion that its internal control over financial reporting was operating effectively as of September 30, 2007, is fairly stated, in all material respects, based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*. PwC identified no reportable instances of noncompliance with the laws, regulations or other matters tested.

## OIG Evaluation of PwC Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored PwC's audit of SSA's FY 2007 financial statements by:

- Reviewing PwC's approach and planning of the audit;
- Evaluating the qualifications and independence of its auditors;
- Monitoring the progress of the audit at key points;
- Examining its workpapers related to planning the audit and assessing SSA's internal control;
- Reviewing PwC's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 07-04;
- Coordinating the issuance of the audit report; and
- Performing other procedures that we deemed necessary.

PwC is responsible for the attached auditor's report, dated November 7, 2007, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding PwC's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting, or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where PwC did not comply with applicable auditing standards.



Patrick P. O'Carroll, Jr.  
Inspector General



PricewaterhouseCoopers LLP  
Suite 900  
1800 Tysons Boulevard  
McLean VA 22102  
Telephone (703) 918 3000  
Facsimile (703) 918 3100  
www.pwc.com

## Report of Independent Auditors

To the Honorable Michael J. Astrue  
Commissioner  
Social Security Administration

In our audit of the Social Security Administration (SSA), we found:

- The consolidated balance sheets of SSA as of September 30, 2007 and 2006, and the related consolidated statements of net cost and of changes in net position, and the combined statements of budgetary resources for the years then ended and the statement of social insurance as of January 1, 2007 and January 1, 2006 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- Management fairly stated that SSA's internal control over financial reporting was operating effectively as of September 30, 2007.
- No reportable instances of noncompliance with the laws, regulations or other matter tested.

The following sections outline each of these conclusions in more detail.

### OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2007 and 2006, and the related consolidated statements of net cost and of changes in net position, and the combined statements of budgetary resources for the years then ended and the statement of social insurance as of January 1, 2007 and January 1, 2006. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



In our opinion, the financial statements referred to above and appearing on pages 104 through 134 of this performance and accountability report, present fairly, in all material respects, the financial position of SSA at September 30, 2007 and 2006, and its net cost of operations, changes in net position, and budgetary resources for the years then ended and the financial condition of its social insurance programs as of January 1, 2007 and January 1, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of SSA taken as a whole. The additional information presented on the statement of social insurance as of January 1, 2007 and January 1, 2006 is not a required part of the financial statements and is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As discussed in Note 17 to the financial statements, the statements of social insurance present the actuarial present value of SSA's estimated future income to be received from or on behalf of the participants and estimated future expenditures to be paid to or on behalf of participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statements of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statements of social insurance and the actual results, and those differences may be material.

#### **REPORT ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL**

We have also examined management's assertion, included in the accompanying Federal Manager's Financial Integrity Act (FMFIA) Assurance Statement on page 38 of this Performance and Accountability Report (PAR), that SSA's internal control over financial reporting was operating effectively as of September 30, 2007 based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982. SSA's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04 and, accordingly, included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that SSA's internal control over financial reporting was operating effectively as of September 30, 2007, is fairly stated, in all material respects, based on criteria established under OMB Circular A-123.





We did note matters involving the internal control and its operation that we will communicate in a separate letter.

### **INTERNAL CONTROL RELATED TO KEY PERFORMANCE INDICATORS**

With respect to internal control relevant to data that support reported performance measures on pages 14, 15 and 16 of this PAR, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on the internal control over reported performance measures and, accordingly, we do not express an opinion on such control.

### **REPORT ON COMPLIANCE AND OTHER MATTERS**

The management of SSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to SSA. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations discussed in the preceding paragraph, exclusive of FFMIA, or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04 as of September 30, 2007.

Under FFMIA, we are required to report whether SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which SSA's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph as of September 30, 2007.

### **OTHER INFORMATION**

The Management's Discussion and Analysis (MD&A) included on pages 5 to 41, and Required Supplementary Information (RSI) included on pages 1 and 140 and 141 to 156 of this performance and accountability report are not a required part of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board or OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of SSA taken as a whole. The Schedule of Budgetary Resources, included on page 140 of this PAR, is not a required part of the financial statements but is supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. This information and the consolidating and combining information included on pages 136 to 139 of this performance and accountability report are presented



for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The other accompanying information included on pages 2 to 4, 42 to 103, 135, 157 to 158, and 163 to the end of this PAR, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

\* \* \* \* \*

This report is intended solely for the information and use of management and the Inspector General of SSA, OMB, the Government Accountability Office and Congress and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "PRICEWATERHOUSECOOPERS LLP".

November 7, 2007



**SOCIAL SECURITY**  
The Commissioner

OCT 30 2007

PricewaterhouseCoopers LLP  
1301 K Street, NW  
Washington, D.C. 20005

Ladies and Gentlemen:

We reviewed the draft Report of the Independent Auditors for the fiscal year 2007 financial statement audit of the Social Security Administration (SSA). This report contains PricewaterhouseCoopers' opinion on SSA's Financial Statements and SSA management's assertion about the effectiveness of its internal control and a report about SSA's compliance with laws and regulations.

We are extremely pleased that, for the third consecutive year, the report contains no findings or recommendations. This is validation of the Agency's continued commitment to protecting and carefully managing the resources, assets and programs entrusted to us. SSA takes pride in our ability to sustain strong and vigilant financial management.

If your staff have any questions, they may contact Mary Glenn-Croft at (410) 965-2910.

Sincerely,

Michael J. Astrue

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

# INSPECTOR GENERAL STATEMENT ON SSA'S MAJOR MANAGEMENT CHALLENGES



## SOCIAL SECURITY

November 7, 2007

The Honorable Michael J. Astrue  
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. As required by the *Reports Consolidation Act*, this Statement will be placed in the *Social Security Administration's Fiscal Year 2007 Performance and Accountability Report*.

In November 2006, we identified six significant management issues facing the Social Security Administration for Fiscal Year (FY) 2007.

- **Social Security Number Protection**
- **Internal Control Environment and Performance Measures**
- **Management of the disability Process**
- **System security and critical Infrastructure Protection**
- **Improper payments and Recovery of Overpayments**
- **Service Delivery and Electronic Government**

I congratulate you on the progress you have made during FY 2007 in addressing these challenges. My office will continue to focus on these issues in FY 2008. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively. I am providing you with the Office of the Inspector General's assessment of these six management challenges.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr." with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.  
Inspector General

**INSPECTOR GENERAL STATEMENT  
ON THE  
SOCIAL SECURITY ADMINISTRATION'S  
MAJOR MANAGEMENT CHALLENGES**



## SOCIAL SECURITY NUMBER PROTECTION

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In Fiscal Year (FY) 2007, the Social Security Administration (SSA) issued approximately 5.7 million original and 11.6 million replacement Social Security number (SSN) cards and received approximately \$620 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

SSA has taken significant steps over the past several years to improve controls in its enumeration process. The Agency has made progress in providing greater SSN protection; nevertheless, incidents of SSN misuse continue to rise. To further strengthen SSN integrity, we believe SSA should (1) seek legislation to reduce the allowable circumstances in which entities may require the collection and use of SSNs as unique identifiers or recordkeeping tools and improve the protection of this information when obtained, (2) continue to address identified weaknesses in its information security environment to safeguard SSNs in a better way, and (3) continue to coordinate with partner agencies to pursue any data sharing agreements that would increase data integrity.

In May 2007, the Office of Management and Budget (OMB) issued Memorandum M-07-16 to Federal agencies regarding safeguarding against and responding to breaches of personally identifiable information (PII), including the establishment and implementation of plans to eliminate unnecessary collection and use of SSNs. We believe this is an important step in protecting SSNs in the Federal sector and can serve as a model for State and local governments, as well as private entities. We are encouraged that SSA is taking steps to implement this OMB guidance. For further information on the SSA's actions to protect PII, see our discussion in the Systems Security and Critical Infrastructure Protection section of this report.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs fail to match SSA's records. As of October 2006, the ESF had accumulated approximately 264 million wage items for Tax Years 1937 through 2004, representing about \$586 billion in wages.

While SSA cannot control all of the factors associated with erroneous wage reports, SSA can continue to improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of both SSA's and the Department of Homeland Security's (DHS) employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting. SSA also needs to work with DHS to improve controls over employee verification programs. Finally, SSA will need to coordinate closely with DHS on its recently proposed rule (Safe-Harbor Procedures for Employers Who Receive a No-Match Letter) requiring employers to take timely action on SSA no-match letters to avoid liability under immigration laws. The use of SSA's employer no-match letter process to assist DHS with its worksite enforcement mission has led to public concerns from labor advocacy groups and unions regarding individuals being denied employment inappropriately. In October 2007, a preliminary injunction was issued preventing the mailing of the letters based on a lawsuit filed by labor advocacy organizations.

Another area of concern related to SSN integrity is the use of nonwork SSNs by noncitizens for unauthorized employment in the United States. SSA assigns nonwork SSNs to noncitizens when (1) a Federal statute or regulation requires that noncitizens provide an SSN to receive a federally funded benefit to which they have established an entitlement or (2) a State or local law requires that noncitizens who are legally in the United States provide an SSN to receive public assistance benefits to which they are entitled and for which all other requirements have been met. SSA assigns these individuals SSN cards with a "Not Valid for Employment" annotation. SSA also provides information about earnings reported under a nonwork SSN to DHS as required by law. Nonetheless, prior audits have noted several issues related to nonwork SSNs, including the (1) type of evidence provided to obtain a nonwork SSN, (2) reliability of nonwork SSN information in SSA's records, (3) volume of wages reported under nonwork SSNs, and (4) restrictions on payment of benefits to noncitizens who qualified for their benefits while

working in the United States but lack proper authorization. SSA's future accomplishments with nonwork SSNs will require increased coordination with DHS to ensure SSA has correct work status information.

### **SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE**

Over the past 5 years, SSA has implemented numerous improvements to its enumeration process. For example, SSA implemented new systems software, which field offices are required to use, called the SS-5 Assistant. This program has simplified the interpretation of, and compliance with, SSA's complex enumeration policies and, unlike the traditional process, will not process an SSN request unless SSA staff enters all of the applicant's required information. SSA has also established five Social Security Card Centers that focus exclusively on assigning SSNs and issuing SSN cards—and it has plans to open more as resources permit.

In addition, SSA has implemented several enhancements designed to protect the SSN under the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) (Pub. L. No. 108-458). The enhancements include (1) restricting the issuance of multiple replacement SSN cards to 3 per year and 10 in a lifetime; (2) requiring independent verification of any birth record submitted by a U.S. born individual to establish eligibility for an SSN, other than for purposes of enumeration at birth; (3) consulting with DHS and other agencies to further improve the security of SSNs and SSN cards; and (4) strengthening the standards and requirements for citizenship and identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN. Additionally, SSA has significantly decreased the number of nonwork SSNs it assigns to noncitizens as a result of a change in regulations and field office compliance with procedures to ensure that nonwork SSNs are issued only to qualified individuals.

SSA has also taken steps to reduce the size and growth of the ESF. In June 2005, the Agency expanded its voluntary Social Security Number Verification Service (SSNVS) to all interested employers nationwide. SSNVS allows employers to verify the names and SSNs of employees before reporting their wages to SSA. During Calendar Year 2006, SSNVS processed over 49 million verifications for over 13,400 registered employers.

SSA also supports DHS in administering "E-Verify" formerly known as the Basic Pilot Program, which verifies the names and SSNs of employees as well as their authorization to work in the United States. The "E-Verify" program is available to employers nationwide and was recently enhanced to include a Photo Screening Tool feature, which allows an employer to check the photos of a new hire's Employment Authorization Document or Permanent Resident Card ("Green Card") against images stored in DHS immigration databases. During FY 2006, "E-Verify" processed about 1.7 million verifications for approximately 12,000 employers.

The Agency continues to modify the information it shares with employers. Under IRTPA, SSA is required to add both death and fraud indicators to the SSN verification systems for employers, State agencies issuing drivers' licenses and identity cards, and other verification routines, as determined appropriate by the Commissioner of Social Security. SSA added death indicators to those verification routines used by employers and State agencies on March 6, 2006 and added fraud indicators in August 2007.

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## MANAGEMENT OF THE DISABILITY PROCESS

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SSA needs to continue to improve critical parts of the disability process, such as making timely disability decisions and safeguarding the integrity of its disability programs. SSA's disability program has remained on the Government Accountability Office's (GAO) high-risk list since 2003 due, in part, to outmoded concepts of disability, lengthy processing times, and inconsistencies in disability decisions across adjudicative levels and locations.

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time for the Office of Disability Adjudication and Review (ODAR), responsible for SSA's hearings and appeals programs, continues to increase each FY—from 293 days in FY 2001 to 512 days in FY 2007. In our December 2006 report on Disability Insurance (DI) payments made during the appeals process, we found that financial performance and citizen satisfaction of the DI program could be greatly increased if SSA would establish a business process to allow more timely decisions on medical cessation appeals. In our March 2007 audit on ODAR's workload status reports, we reported that we found no clear link between the Agency's internal hearings workload benchmarks and the overall performance goal for the average processing time of a hearing.

ODAR's pending workload also continues to increase steadily. At the end FY 2007, the pending workload was 746,744 cases—up from 392,387 cases in FY 2001. We recently presented SSA with the results of our review on Administrative Law Judges' (ALJ) Caseload Performance. The review recommended SSA establish a performance accountability process to address ALJ performance when it falls below an acceptable level. The recommendation, when implemented by SSA, will assist the Agency in reducing pending workloads.

### SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

In August 2006, SSA implemented a Quick Disability Determination (QDD) process which uses a computer model to identify cases when the individuals are obviously disabled and are likely to be allowed. The QDD process was successful with Disability Determination Services (DDS) issuing decisions on 95 percent of cases within the required timeframe. Based on the results of the QDD process in the Boston region, the Commissioner of Social Security required DDSs nationwide to implement the QDD process by March 2008.

In response to our March 2007 audit on ODAR's workload status reports, the Agency has developed "guidelines" related to the steps in the hearings process to track the Agency's performance goal for average processing time. ODAR has also taken other steps, such as encouraging hearing offices to view case processing using a weekly rather than monthly timeframe, to improve office productivity.

To address its pending workload, ODAR accelerated and expanded efforts to address cases that have been waiting 1,000 days or more for a hearing—with the goal of having these cases to a negligible level by the end of FY 2007. Specifically, at the beginning of FY 2007, there were about 63,000 cases pending which were or would become over 1,000 days old by the end of the FY. As of end of FY 2007, this pending workload was reduced to 108 cases.

The Commissioner also recently announced additional initiatives in an effort to reduce the hearings backlog by FY 2012. Many of these initiatives are either ongoing or expected to begin within the next few months. The Commissioner's initiatives include:

- **Compassionate allowances** where SSA plans to build on the success of the QDD process by implementing additional initiatives to quickly identify and allow applicants who are obviously disabled.
- **Increased adjudicatory capacity** which includes filling hearing dockets of current ALJs to capacity by increasing staff overtime, improving ALJ productivity, hiring at least 150 ALJs and the necessary accompanying support staff, streamlining folder assembly, and using personnel from other SSA components to assist the most affected hearing offices.



- **Using automation and improved business processes** such as video equipment in all hearings offices, electronic file assembly, electronic scheduling, and decision-writing templates to improve case processing at the hearings level.
- **Opening a National Hearing Center** where ALJs in a centralized, fully electronic facility will handle electronic files and conduct only video hearings.

We continue to work with the Agency to safeguard the integrity of its disability programs with the Cooperative Disability Investigations (CDI) program. Under the CDI program, our Office of Investigations and SSA staff obtain evidence to resolve questions of fraud in disability claims. Since the program's inception in FY 1998, the 19 CDI units, operating in 17 States, have been responsible for over \$879 million in projected savings to SSA's disability programs and over \$539 million in projected savings to non-SSA programs.

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## IMPROPER PAYMENTS AND RECOVERY OF OVERPAYMENTS

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Improper payments are defined as any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Examples of improper payments include payments made to ineligible recipients, duplicate payments, and payments that are for the incorrect amount. Furthermore, the risk of improper payments increases in programs with a significant volume of transactions, complex criteria for computing payments, and an overemphasis on expediting payments.

SSA and the Office of the Inspector General (OIG) have discussed such issues as detected versus undetected improper payments and avoidable versus unavoidable overpayments that are outside the Agency's control and a cost of doing business. OMB issued specific guidance to SSA to include only avoidable overpayments in its improper payment estimate because those payments can be reduced through changes in administrative actions. Unavoidable overpayments that result from legal or policy requirements are not to be included in SSA's improper payment estimate.

The President and Congress continue to express interest in measuring the universe of improper payments in the Government. In August 2001, OMB published the President's Management Agenda (PMA), which included a governmentwide initiative for improving financial performance, including reducing improper payments. The *Improper Payments Information Act of 2002* (IPIA) (Pub. L. No. 107-300) was enacted in November 2002, and OMB issued guidance in May 2003 (OMB Memorandum M-03-13) on implementing this law. In August 2006, OMB updated and revised this guidance (OMB Memorandum M-06-23). Significant updates to the guidance include new language to clarify the definition of an improper payment and clarification of OMB's authority to require agencies to track programs under the IPIA with low error rates (i.e., less than 2.5 percent), but significant improper payment amounts.

SSA issues billions of dollars in benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs—and some improper payments are unavoidable. In FY 2007, SSA issued over \$612 billion in benefit payments to over 54 million people. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

In January 2007, OMB issued a report *Improving the Accuracy and Integrity of Federal Payments* noting that eight Federal programs—including SSA's OASDI and SSI programs—accounted for more than 89 percent of the improper payments in FY 2006. However, this report also noted that the OASDI error rate dropped by 1/10<sup>th</sup> of 1 percent, which resulted in a \$401 million reduction in improper payments.

In August 2007, we issued a report, *Improper Payments Resulting from the Annual Earnings Test*, that showed that SSA did not adjust the benefit payments for all beneficiaries who were subject to the Annual Earnings Test. We estimated SSA overpaid about \$313 million to 89,300 beneficiaries and underpaid about \$35 million to 12,800 beneficiaries. These payment errors primarily occurred because SSA did not process all records identified by its Earnings Enforcement Operation (EEO). Furthermore, unless SSA takes corrective action to process all future EEO selections, we estimated it would pay at least \$104 million in overpayments and \$11 million in underpayments annually.

### SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA has been working to improve its ability to prevent over- and underpayments by obtaining beneficiary information from independent sources sooner and using technology more effectively. For example, the Agency is continuing its efforts to prevent payments after a beneficiary dies by using Electronic Death Registration information. Also, the Agency's Continuing Disability Review process is in place to identify and prevent beneficiaries who are no longer disabled from receiving payments.

SSA is also taking steps to recover overpayments. For example, the Agency generally agreed to the recommendations to improve its efforts for cross-program recovery of overpayments that were in our June 2007 report, *Cross-Program Recovery of Benefit Overpayments*. For the records we reviewed, we estimated SSA could

collect a maximum of about \$3.6 million over a 21-month period from SSI payments to recover OASDI overpayments. The amounts recovered could also earn about \$149,000 in interest for the OASDI trust funds over the 21-month period. In addition, we estimated that over the 21-month period, SSA could recover a maximum of about \$13.4 million in SSI overpayments. In September 2007, SSA implemented Cross Program Recovery III, which collects OASDI overpayments from SSI underpayments. SSA reported that the new program provided for the collection of over \$4 million in its first month of implementation.

We will continue to work with SSA to identify and address improper payments in its programs. For example, in our review, *Title II Disability Insurance Benefits with a Workers' Compensation Offset* (issued in November 2006), we found that the percentage of payments in error identified in this report declined significantly when compared to the percentage we reported in our prior workers' compensation offset audits. However, although there has been an improvement in reducing improper payments due to workers' compensation, we still identified about 25,377 disability insurance claims totaling approximately \$149 million that had payment errors. SSA agreed to implement the five recommendations we made regarding this workload.

## INTERNAL CONTROL ENVIRONMENT AND PERFORMANCE MEASURES

Sound management of public programs includes both effective internal controls and performance measurement. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. OMB's *Circular No. A-123, Management's Responsibility for Management Control*, requires the Agency and its managers to take systematic and proactive measures to develop and implement appropriate, cost-effective internal control for results-oriented management. Accordingly, SSA management is responsible for determining through performance measurement and systematic analysis if the programs it manages achieve intended objectives.

Establishing appropriate controls over the development of disability claims under the DI and SSI programs is one of the main work processes for which SSA is responsible. Disability determinations under DI and SSI are required to be performed by DDSs in each State in accordance with Federal regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2007, SSA allocated over \$1.7 billion to fund DDS operations.

From FY 2000 through FY 2007, we conducted 61 DDS administrative cost audits. In 32 of the 61 audits, we identified internal control weaknesses and over \$110 million that SSA reimbursed to the States that were not properly supported or could have been put to better use. Fourteen of the 61 audits conducted were completed in FY 2007. Six of these reports noted similar control weaknesses identified in DDS audits in previous years and over \$28 million of questioned costs and/or funds that could be put to better use. We believe the large dollar amounts claimed by State DDSs and the control issues we have identified, warrant this issue remaining a major management challenge.

Another area that requires sound management and effective internal control is the selection and oversight of contractors assisting the Agency in meeting its mission. In FY 2007, SSA spent over \$715 million on contracts. We reviewed 11 of SSA's contracts in FY 2007. We generally found that the costs claimed for services provided by the contractors involved were reasonable and allowable. While we noted no major concerns in the reviews conducted, we believe ensuring proper oversight and controls over its contracts is inherently a major management challenge for SSA due to the total dollar amounts awarded and risks involved with contractors adequately delivering services and meeting contract objectives.

The *Government Performance and Results Act of 1993* (Pub. L. No. 103-62) and the PMA call for the identification of outcome measures that accurately monitor programs' performance. Also, SSA managers need sound information to monitor and evaluate performance. In FY 2007, we issued 7 audits that addressed 14 of SSA's performance measures. Four of the seven audits were based on work that began in FY 2006, with audit work continuing into FY 2007. The nine performance measures addressed in these four reports are listed below.

- Increase the Usage of Electronic Entitlement and Supporting Actions
- Agency Decisional Accuracy Rate
- Average Processing Time for Hearings Appeals
- Disability Determination Services Cases Processed per Workyear
- Number of Initial Disability Claims Processed by the Disability Determination Services
- Increase the Percent of Employee Reports (W-2 forms) Filed Electronically
- Number of SSA Hearings Processed
- Average Processing Time for SSA Hearings
- Average Processing Time for Initial Disability Claims

We concluded the data used for five of the nine measures were reliable and that the data used for four of them were unreliable.

Three of the seven audits released in FY 2007 were based on work that began and was completed in FY 2007. The five performance measures addressed by these audits are listed below.

- Percent of Individuals Who Do Business with SSA Rating the Overall Service as “Excellent,” “Very Good,” or “Good”
- Minimize Skill and Knowledge Gaps in Mission-Critical Positions
- Align Employee Performance with Agency Mission and Strategic Goals
- Percent of Old-Age, Survivors, and Disability Insurance Payments Free of Overpayment and Underpayment
- Continue to Achieve 2 Percent Productivity Improvement on Average

We concluded that the data used for four of the five measures were reliable and that the data used for one of them was unreliable.

Generally, when data was determined to be unreliable, it was due to weaknesses in internal or access controls over the systems used to collect and process it. Due to the control weaknesses, the data was not sufficiently secure to be certain of its integrity. The challenge SSA faces in this area is ensuring that it has reliable management information when making strategic and operational plans.

### **SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE**

SSA has taken steps to develop internal controls over its operations and contractor performance and in developing sound performance data. SSA has generally agreed with our recommendations that address internal control weaknesses associated with DDSs and has taken the recommended steps to ensure that reimbursements provided to DDSs are allowable and properly supported. Additionally, SSA is working to limit the number of employees that have access and the ability to change data in its performance data collection systems to help ensure the integrity of its management information. Also, the Agency has worked with us to determine what is the best way to audit its performance data without significantly increasing its data storage costs. This effort includes gaining real time access to SSA’s performance data, which allows us to test the data as it is being created.

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## SYSTEMS SECURITY AND CRITICAL INFRASTRUCTURE PROTECTION

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Protecting the critical infrastructure of the United States is essential to the Nation's security, public health and safety, economic vitality, and way of life. Attacks on critical infrastructure could significantly disrupt the functioning of Government and business alike and produce cascading effects far beyond the targeted sectors and physical location of the incident. Therefore, any disruptions in the operation of information systems that are critical to the Nation's infrastructure should be infrequent, manageable, of minimal duration and result in the least damage possible. The Government must make continuous efforts to secure information systems for critical infrastructures.

SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over access to its electronic information, technical security configuration standards, suitability, and continuity of systems operations have been identified. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure that they do not reoccur.

OMB continues to stress the importance of protecting the public's privacy and PII as emphasized by new guidance such as OMB Memorandum M-07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*. This new guidance mandates agencies increase efforts to reduce the use of PII collected and held. OMB Memorandum M-07-16 complements existing PII guidance including OMB Memorandum M-06-15, *Safeguarding Personally Identifiable Information*, and OMB Memorandum M-06-19, *Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security in Agency Information Technology Investments*. OMB is also incorporating more privacy and PII protection questions in its annual *Federal Information Security Management Act (FISMA)* (Pub. L. No. 107-347, Title III) guidance (OMB Memorandum M-07-19).

### SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE

SSA has taken numerous steps to address OMB guidance on PII. In September 2006, the Agency released, *Policy and Procedures for All SSA Employees for Reporting the Loss or Suspected Loss of Personally Identifiable Information (Information Systems Security Handbook, Appendix V)*. This policy requires the reporting of incidents involving the loss or potential loss of PII within 1 hour of discovery. In March 2007, the Agency issued procedures on safeguarding PII while in transit or outside of secure SSA space. In September 2007, SSA issued the, *SSA Breach Notification Policy, The Social Security Administration's Implementation Plan To Eliminate Unnecessary Use Of Social Security Numbers, and The Social Security Administration's Plan and Progress Update on Review and Reduction of Holdings of Personally Identifiable Information (PII)*. The Agency has also established workgroups, a PII Executive Steering Committee, which provides oversight and recommendations on SSA policy, and the PII Breach Response Group whose role is to engage in Agency planning in the event a breach occurs.

SSA addresses significant information technology control issues in many other ways. For example, the Agency developed and implemented configuration standards for all major operating system platforms and software components. SSA also began an extensive monitoring process to ensure that the Agency's over 100,000 servers and workstations are in compliance with established system configuration standards. Further, SSA maintained Certifications and Accreditations for all 20 major systems, which were substantially compliant with security standards. SSA has instituted access control policies to ensure appropriate segregation of duties by limiting access to critical information on a 'need only' basis.

Over the years, SSA has worked to establish sufficient access controls as evidenced by the use of Top Secret software and the System Security Profile Project (SSPP). An employee's profile is the primary element used to control access to SSA's databases. As a result of the SSPP, in FY 2005, the access control issue was removed as a reportable condition from SSA auditor's financial statement report. SSA needs to continue its efforts to fully implement the policies that control access to sensitive records. Such efforts should include:

- Updating and developing new configuration standards when appropriate;
- Strengthening its access control processes to ensure that the user profiles are adequately reviewed and tested;

- Continuing to monitor the Agency's devices for compliance with established configuration standards;
- Continuing to work the SSPP and the regular monitoring of accesses made to sensitive data; and
- Controlling and monitoring DDS employees and contractors' access to sensitive SSA information.

SSA has implemented a variety of methods to protect its critical information infrastructure and systems security. For example, SSA's Critical Infrastructure Protection workgroup continuously looks to find ways to ensure Agency compliance with various directives, such as Homeland Security Presidential Directives and FISMA. To provide for the protection of the critical assets of the SSA National Computer Center, SSA has initiated the Information Technology Operations Assurance (ITOA) project. The objective of the ITOA project is to build a second, fully functional, co-processing data center. SSA also routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

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## SERVICE DELIVERY AND ELECTRONIC GOVERNMENT

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One of SSA's goals is to deliver high-quality "citizen-centered" service. This goal encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. This area includes the challenges of the Representative Payee Process, Medicare Prescription Drug Program, Managing Human Capital and Electronic Government (e-Government).

When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who must use the payments for the beneficiary's interests. In FY 2007, SSA reported there were approximately 5.3 million representative payees who managed about \$49.9 billion in annual benefit payments for approximately 7.1 million beneficiaries in FY 2006. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure its responsibilities are met to the beneficiaries it serves.

In FY 2007, we identified several problematic conditions during our reviews of SSA's representative payee process. We found SSA's procedures did not ensure new representative payees were selected when the death of current payees occurred. We were also unable to identify if SSA referred, as required, all misuse cases to the OIG. Furthermore, SSA did not always use its authority to redirect benefit payments to the local field office when representative payees failed to submit annual accounting reports. Finally, in July 2007, the National Academy of Sciences (NAS) issued a report, *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse*, that contained several recommendations to improve SSA's representative payee program. For example, NAS reported that SSA should take steps to prevent and detect misuse of beneficiary funds in a better way. In addition, NAS recommended that SSA conduct targeted reviews of those representative payees most likely to misuse benefits.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Pub. L. No. 108-173) established a new, voluntary Prescription Drug Program that became effective January 2006. Under this program, certain low-income individuals are eligible to receive prescription drug coverage, premium, deductible, and co-payment subsidies. Implementation of the program presented several challenges for SSA. For example, SSA needed to conduct outreach efforts to promote the program, perform income and resource verifications for individuals who applied for low-income subsidies and review appeals for applicants who disputed SSA's eligibility determinations.

As of January 2007, the GAO continued to identify strategic human capital management on its list of high-risk Federal programs and operations. Further, Strategic Management of Human Capital is one of five governmentwide initiatives contained in the PMA. By the end of 2012, SSA projects its DI rolls will have increased by 35 percent. Further, by FY 2015, 54 percent of current SSA employees will be eligible to retire. This could result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

SSA faces numerous challenges in its attempts to provide eServices to the public, Government and business. For example, SSA is facing increased workloads as "baby boomers" become eligible for retirement and as the disability beneficiary population grows. At the same time, there is a greater need for prompt, secure, and efficient Government Internet services. We believe SSA needs to increase its efforts to encourage claimants to file claims via the Internet Social Security Benefit Application (ISBA). The percentage of claims filed through the Internet has remained at about 3 to 5 percent over the previous 5 years. Furthermore, about 73 percent of claimants who file electronically for retirement or disability benefits over ISBA still have to be contacted by SSA's field offices before processing can be completed.



## **SSA HAS TAKEN STEPS TO ADDRESS THIS CHALLENGE**

SSA has taken several actions to address the challenges of its representative payee process. This includes providing periodic reports mandated by Congress under the *Social Security Protection Act of 2004* on its representative payee site reviews and other reviews. SSA has also established a Representative Payment Steering Committee to address the NAS conclusions and recommendations and planned enhancements to its information systems for the issuance of alerts to field offices to select a new representative payee when SSA is notified of a payee's death.

To manage the challenges presented by the Medicare Prescription Drug Program, SSA conducted more than 75,000 outreach events across the country to promote the program. Based on income and resource verifications performed as of February 2007, SSA approved low income subsidies to about 2.1 million applicants and denied low income subsidies to about 2.5 million applicants. SSA created a Subsidy Appeals Unit to process appeals of its subsidy eligibility determinations and continues to perform periodic redeterminations of subsidy eligibility.

Since June 2004, SSA has consistently scored "green" in both "Current Status" and "Progress in Implementing the PMA," for Human Capital on the Executive Branch Management Scorecard. The scorecard tracks how well the departments and major agencies are executing the governmentwide management initiatives. SSA has taken various actions to address its human capital challenges. In the Agency's FY 2006 Annual Human Capital Accountability Report, SSA reported it developed an Office of Personnel Management certified Human Capital Accountability System and Operating Plan. In addition, SSA reported it instituted changes in its organizational structure to expedite service to the public.

E-Government is a cornerstone of the PMA. SSA is incorporating this Presidential initiative into its process by promoting convenient, quality on-line services. SSA is currently using the Web to provide services through its Homepage. ISBA has consistently rated at the top of all Federal offerings by the American Customer Satisfaction Index Scorecard. In FY 2007, SSA reported a 292 percent increase over the FY 2004 baseline in the use of electronic entitlement and supporting actions during FY 2006. One of the more recent users of SSA's electronic services was the Nation's first "baby boomer" who filed for retirement benefits on-line.

# OTHER REPORTING REQUIREMENTS

## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit						
Audit Opinion	Unqualified					
Restatement	No					
	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
Total Material Weaknesses	0	0	0	0	0	
Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

## ANTI-FRAUD ACTIVITIES

SSA is committed to improving financial management by preventing fraudulent and improper payments (see the *Agency Challenges* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

### ENTITLEMENT REVIEWS

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

### DISABILITY QUALITY ASSURANCE REVIEWS

SSA performs quality assurance reviews of random samples of DDS determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the State DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Review					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.2%	96.4%	96.3%	96.3%	96.9%
No. of cases reviewed	39,066	40,323	37,101	35,433	33,329
No. of cases returned to the DDSs due to error or inadequate documentation	1,499	1,454	1,389	1,326	1,028

**TITLE II PREEFFECTUATION REVIEWS**

SSA also performs preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. SSA also reviews a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 96 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.2%	96.3%	95.9%	96.0%	96.3%
No. of cases reviewed	318,505	334,774	328,189	305,233	307,878
No. of cases returned to the DDSs due to error or inadequate documentation	12,090	12,498	13,338	12,118	11,258

**TITLE XVI PREEFFECTUATION REVIEWS**

Following recently enacted legislation, SSA began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. Although the review began midway through FY 2006, FY 2007 is the first full year of review. As in Title II cases, SSA also uses a profiling system to select cases for review. The following table shows that over 97 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	N/A	N/A	97.4%
No. of cases reviewed	N/A	N/A	N/A	N/A	80,784
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	N/A	N/A	2,124

**CONTINUING DISABILITY REVIEWS (CDRs)**

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA's records. SSA also conducts a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Overall Accuracy	94.2%	94.7%	94.9%	93.5%	95.6%
Continuance Accuracy	94.4%	95.0%	95.3%	93.8%	96.4%
Cessation Accuracy	93.5%	93.0%	93.3%	92.4%	93.5%

### **OASI AND SSI QUALITY ASSURANCE REVIEWS**

One of SSA's four *Government Performance and Results Act* strategic goals is 'to ensure superior stewardship of Social Security programs and resources'. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 72-73 and 74-75.

### **SSI REDETERMINATIONS**

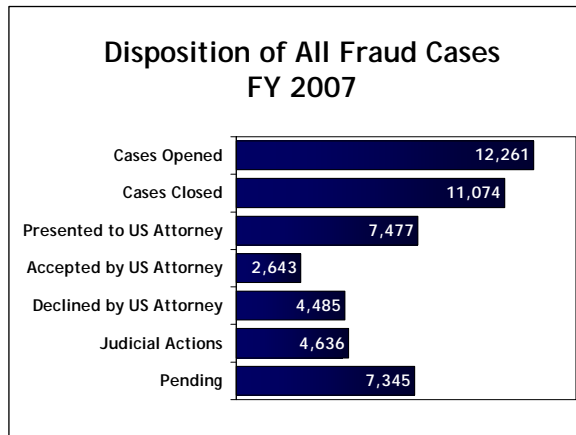
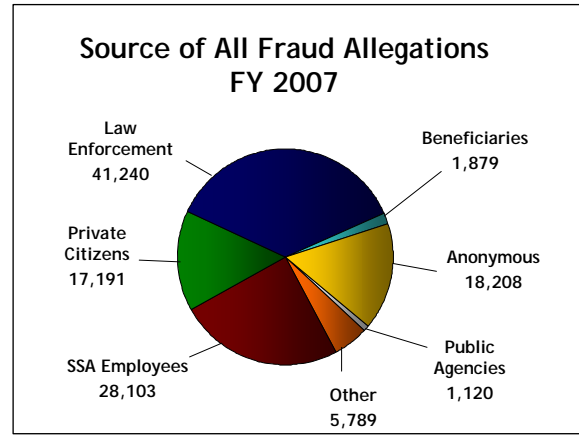
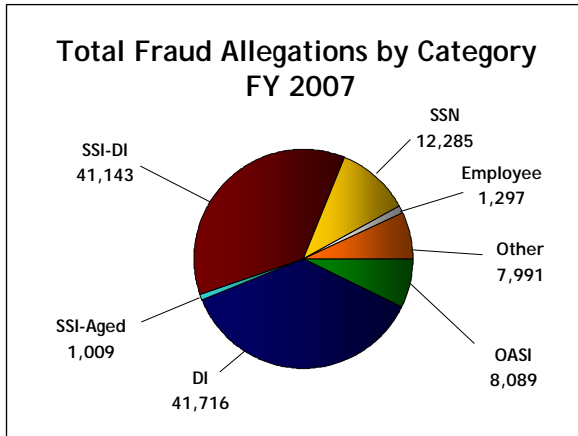
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA set a goal for the number of SSI redeterminations to be processed in FY 2007. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on page 70.

### **PAYMENT SAFEGUARDS ACTIVITIES**

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested over \$877 million in processing over 7.8 million alerts in FY 2006. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of over \$5.7 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2007 results of these payment safeguard activities will be available in 2008.

**THE OFFICE OF THE INSPECTOR GENERAL’S (OIG) ANTI-FRAUD ACTIVITIES**

In FY 2007, as part of its fraud detection and prevention program for safeguarding the Agency’s assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The charts below summarize OIG’s involvement in fraud activities throughout the FY.



**BIENNIAL REVIEW OF USER FEE CHARGES**

**SUMMARY OF FEES**

User fee revenues of \$290 and \$284 million in FY 2006 and FY 2007, respectively, accounted for less than 1 percent of SSA’s total financing sources. Over 86 percent of user fee revenues are derived from agreements with 23 States and the District of Columbia to administer some or all of the States’ supplemental SSI benefits. During FY 2007, SSA charged a fee of \$9.69 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$9.95 for FY 2008. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

## **BIENNIAL REVIEW**

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal Agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. SSA's review of fees during FY 2006 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. SSA is planning to perform a review of these fees during FY 2008.

## **DEBT MANAGEMENT**

During FY 2007, SSA continued its comprehensive debt collection program. SSA employs its own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. SSA's internal debt collection methods include benefit withholding to collect overpayments from monthly benefits when the person is still on the rolls. In FY 2007, SSA collected \$2.49 billion in overpayments by this method.

When the person is no longer on the rolls, SSA uses its own billing and follow-up system to collect overpayments. Using that system, SSA sends a series of progressively stronger notices requesting repayment and makes telephone calls to negotiate repayment. The Agency collects several hundred million dollars a year by this method. In addition, SSA used the following aggressive debt collection tools authorized for the Agency:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund.
- Administrative Offset which is the collection of a delinquent debt from a Federal payment other than a tax refund.
- Cross Program Recovery which is the collection of a former SSI recipient's debt from any Old-Age, Survivors and Disability Insurance (OASDI) benefits or the collection of an OASDI debt from an SSI underpayment due that person.
- Credit Bureau Reporting which acts as an incentive for individuals to repay their delinquent debts, or face the consequences of a bad credit report.
- Administrative Wage Garnishment which is the collection of delinquent debts from the wages of overpaid individuals.
- Non-Entitled Debtors which collects overpayments made to representative payees after the death of the beneficiary.
- Federal Salary Offset which is the collection of delinquent SSA debts from the salary of overpaid Federal government employees.

These tools continue to demonstrate their significance in the collection of delinquent program debt. In FY 2007, SSA surpassed cumulative collections of \$1.3 billion as a result of the use of tax refund offset and administrative offset since 1992. In FY 2007 alone, SSA collected over \$149 million as a result of the Treasury Offset Program. Since implementation of mandatory Cross Program Recovery in February 2002, SSA has collected over \$342 million by that method.

In FY 2007, SSA expanded the Non-Entitled Debtors (NED) initiative. NED is a system that manages overpayments and other debts owed by individuals who are not entitled to OASDI benefits or SSI payments. The NED initiative is being developed in a series of releases, each targeting a different group of debts. The initial phase of the NED system, implemented in November 2005, controls prospective overpayments made to representative payees after the death of Title II beneficiaries. The second phase of the NED system, implemented in July 2007, controls existing overpayments made to representative payees after the death of the Title II beneficiaries.

Also in FY 2007, SSA further expanded its uses of Cross Program Recovery (CPR). In August 2007, SSA expanded the CPR initiative to allow for the collection of an OASDI debt from an SSI underpayment.

Future plans include further expansion of the NED and CPR programs as well as an assessment of the feasibility of utilizing additional debt collection tools such as administrative fees, interest charging/penalties and private collection agencies.

In addition, SSA continues to use the system developed in FY 2002 to analyze and monitor its debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. SSA recognizes that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. SSA has underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the Performance Section only includes legally defined overpayments in which beneficiaries have certain due process rights.

<b>FY 2007 Quarterly Debt Management Activities (In Millions)</b>				
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<b>Total receivables (cumulative)</b>	\$14,022.5	\$13,856.0	\$13,714.4	\$14,253.4
<b>Total collections (cumulative)</b>	(1,231.8)	(1,427.7)	(2,124.1)	(2,892.7)
<b>Total write-offs (cumulative)</b>	(246.4)	(469.2)	(730.4)	(986.1)
<b>TOP collections (cumulative)</b>	(2.4)	(45.3)	(68.3)	(71.3)
<b>Agging schedule of delinquent debts:</b>				
- 180 days or less	1,111.7	972.2	983.7	1,014.7
- 181 days to 10 years	2,316.8	2,367.9	2,349.0	2,413.9
- Over 10 years	70.1	66.0	76.3	80.8
<b>- Total delinquent debt</b>	<b>\$3,498.6</b>	<b>\$3,406.1</b>	<b>\$3,409.0</b>	<b>\$3,509.4</b>



SSA Debt Management Activities					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Total debt outstanding end of FY (millions)	\$13,418.4	\$12,260.2	\$13,154.8	\$13,662.3	\$14,253.4
% of outstanding debt					
- Delinquent	18.9%	20.3%	21.8%	23.9%	24.6%
- Estimated to be uncollectible	21.1%	24.6%	24.2%	24.4%	27.4%
New debt as a % of benefit outlays	0.8%	0.8%	0.8%	0.9%	0.8%
% of debt collected	17.2%	18.3%	18.5%	20.2%	20.1%
Cost to collect \$1	\$0.10	\$0.09	\$0.09	\$0.08	\$0.07
% change in collections from prior FY	(0.3%)	(2.5%)	9.5%	13.4%	3.5%
% change in delinquencies from prior FY	22.4%	(2.1%)	15.3%	13.9%	7.6%
Collections & write-offs as a % of Total Debt	19.4%	18.0%	19.3%	21.2%	20.6%
Collections as a % of clearances	71.5%	71.6%	74.3%	71.1%	74.4%
Total write-offs of debt (in millions)	\$918.7	\$892.7	\$841.8	\$1,123.6	\$986.1
Average number of months to clear receivables:					
- OASI	18	22	20	18	18
- DI	33	38	30	29	39
- SSI	52	47	42	43	42

# IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

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## **BACKGROUND**

SSA is committed to reducing improper payments. SSA reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the non-medical aspects of Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), SSA reports as improper those payments that should not have been made or were made in an incorrect amount. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the *Government Performance and Results Act of 1993*.

## **STATISTICAL SAMPLING**

The Old-Age, Survivors and Disability Insurance (OASDI) payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all non-medical factors of entitlement are redeveloped as of the current sample month. Findings are input to a national database for analysis and report preparation. Similarly, the SSI payment outlay rates are determined by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. Separate rates are determined for the accuracy of payments in terms of overpayment and underpayment dollars.

## **RISK-SUSCEPTIBLE PROGRAM**

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and \$10 million (see Table 1). SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For fiscal year (FY) 2006, improper payments resulting in overpayments were \$3.2 billion, or 7.9 percent of outlays. Improper payments resulting in underpayments totaled \$896 million representing 2.2 percent of total outlays. Every tenth of a percent change represents \$40.3 million dollars in error. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular A-11.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays; e.g., beyond the OASI, DI and SSI programs that SSA administers, for the fourth consecutive year SSA performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments.

## **IMPROPER PAYMENT RATES AND TARGET GOALS**

The improper payment rates for the OASI, DI and SSI programs for FYs 2004, 2005 and 2006 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid.

Target accuracy goals for FYs 2007, 2008, 2009 and 2010 for the OASDI and SSI programs are presented in Table 2. In the OASDI program, SSA's goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. For the SSI program, SSA's goal is to maintain the underpayment accuracy rate at 98.8 percent and overpayment accuracy rates of 95.7 percent for FY 2007 and 96.0 percent for FYs 2008–2010.

**Table 1: Improper Payments Experience FY 2004 - FY 2006**  
(\$ in millions)

	FY 2004		FY 2005		FY 2006	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
<b>OASI</b>						
Total Payments	\$415,100	100%	\$430,400	100%	\$454,300	100%
Underpayments	\$535	0.13%	\$507	0.11%	\$238	0.05%
Overpayments	\$1,286	0.33%	\$210	0.05%	\$948	0.21%
<b>DI</b>						
Total Payments	\$78,200	100%	\$83,800	100%	\$90,700	100%
Underpayments	\$564	0.72%	\$473	0.56%	\$442	0.49%
Overpayments	\$1,296	1.70%	\$2,100	2.50%	\$877	0.97%
<b>OASDI</b>						
Total Payments	\$493,300	100%	\$514,200	100%	\$545,000	100%
Underpayments	\$1,099	0.21%	\$980	0.19%	\$680	0.12%
Overpayments	\$2,582	0.53%	\$2,300	0.45%	\$1,824	0.32%
<b>SSI</b>						
Total Payments	\$37,470	100%	\$39,068	100%	\$40,328	100%
Underpayments	\$504	1.3%	\$528	1.4%	\$896	2.2%
Overpayments	\$2,406	6.4%	\$2,500	6.4%	\$3,193	7.9%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2004,  $\pm 0.11\%$  for underpayments and  $+0.32\%$  and  $-0.34\%$  for overpayments; for FY 2005,  $+0.13\%$  and  $-0.11\%$  for underpayments and  $+0.05\%$  and  $-0.04\%$  for overpayments; and for FY 2006,  $+0.05\%$  and  $-0.04\%$  for underpayments and  $+0.24\%$  and  $-0.20\%$  for overpayments.
3. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2004,  $+0.68\%$  and  $-0.69\%$  for underpayments and  $+1.53\%$  and  $-1.54\%$  for overpayments; for FY 2005,  $+0.64\%$  and  $-0.56\%$  for underpayments and  $+1.81\%$  and  $-1.82\%$  for overpayments; and for FY 2006,  $+0.64\%$  and  $-0.48\%$  for underpayments and  $+0.85\%$  and  $-0.85\%$  for overpayments.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2004,  $\pm 0.3\%$  for underpayments and  $\pm 1.0\%$  for overpayments; for FY 2005,  $\pm 0.3\%$  for underpayments and  $\pm 0.9\%$  for overpayments; and for FY 2006,  $\pm 0.5\%$  for underpayments and  $\pm 1.0\%$  for overpayments.

**Table 2: Improper Payments Reduction Outlook FY 2007 - FY 2010**  
(\$ in millions)

	2007 target		2008 target		2009 target		2010 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
<b>OASDI</b>								
Total Payments	\$576,003	100%	\$604,479	100%	\$637,154	100%	\$675,204	100%
Underpayments	\$1,152	0.2%	\$1,209	0.2%	\$1,274	0.2%	\$1,350	0.2%
Overpayments	\$1,152	0.2%	\$1,209	0.2%	\$1,274	0.2%	\$1,350	0.2%
<b>SSI</b>								
Total Payments	\$44,033	100%	\$46,144	100%	\$48,194	100%	\$50,279	100%
Underpayments	\$528	1.2%	\$554	1.2%	\$578	1.2%	\$603	1.2%
Overpayments	\$1,893	4.3%	\$1,846	4.0%	\$1,928	4.0%	\$2,011	4.0%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2007 data will not be available until June 2008; therefore, the rates shown are targets (goals).
3. The FYs 2008, 2009 and 2010 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2008 Budget. The projections for FY 2007 are adjusted (from those presented in the Mid-Session Review) for the fact that there are only 11 payment days in that year, yet the quality review is not affected by payment days, but rather by entitlement months.

**IMPROPER PAYMENTS IN THE OASI AND DI PROGRAMS**

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years (FYs 2002-2006), a total of over \$2.1 trillion was paid to OASI beneficiaries. Of that total, \$3.0 billion was projected to be overpaid, representing 0.15 percent of outlays. Underpayments during this same period were projected to be \$1.7 billion, the equivalent of 0.08 percent of outlays.

Applying the same analysis to the DI program, we find that over the last 5 years, (FY's 2002-2006), a total of over \$386.7 billion was paid to DI beneficiaries. Of that total, \$5.6 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same period totaled \$1.9 billion, the equivalent of 0.5 percent of outlays.

**MAJOR CAUSES OF OASDI IMPROPER PAYMENTS**

Major causes of improper overpayments in the OASDI program over this 5-year period are listed below (followed by a detailed description under the Corrective Actions section) and account for nearly 80 percent of the improper overpayments identified.

- Substantial Gainful Activity (SGA)
- Computations
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Annual Earnings Test
- Government Pension Offset

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. For the 5-year period from FY 2002 through FY 2006, OASDI deficiency dollars totaled \$11.9 billion, an average of about \$2.4 billion per year. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments.

### **CORRECTIVE ACTIONS**

**SGA:** Although SGA is strictly an issue for Title II DI cases, errors attributed to SGA accounted for almost 53 percent of all OASDI overpayment deficiency dollars for the last 5 FYs (2002-2006). The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. Almost three-quarters of the deficiency dollars associated with SGA are due to the beneficiary's failure to report that he/she is working. The remaining one-quarter of the deficiency dollars is associated with cases where SSA receives notice of work activity, but fails to take appropriate action to adjust payment. In terms of all errors (both overpayments and underpayments), SGA accounted for about 37 percent of total OASDI deficiency dollars.

One of the efforts to address SGA-related issues was the eWork system, which was implemented nationwide in FY 2005. The eWork system is a means of controlling and processing reports of work and earnings made by individuals receiving disability benefits. The application provides improved management information and tighter controls on the work Continuing Disability Review (CDR) process.

The Continuing Disability Review Enforcement Operation (CDREO) process is designed to alert Title II and concurrent Title II/Title XVI claims with potentially uninvestigated substantial earnings after disability onset. However, these alerts are dependent upon the earnings posting operation, which lags well behind when wages are actually earned. In addition, some alerts are generated which result in no change to the worker's benefits because the work is determined not to be SGA due to special work accommodations or other factors. However, review is still required to determine whether the beneficiary's work activity is or is not SGA.

SSA has developed software that tracks the disposition of overpayments over time beginning with when they are detected. This software separates overpayments by dollar ranges and can be used to isolate debts based on a variety of other factors, such as the age of the beneficiary or type of disability. To better understand the problems with processing SGA cases, SSA has analyzed several hundred recently established SGA overpayments. One objective is to develop a method which differentiates overpayments that reflect significant problems from those that appear to be less problematic. We anticipate that SSA's review of the CDREO alert process will produce a comprehensive picture of how SGA affects benefits. We are currently developing a plan to use the results of this review to prioritize this workload through profiling and statistical modeling.

SSA also conducted an analysis of the Office of Child Support and Enforcement (OCSE) database of new hires to determine whether a matching operation with that database would be useful to SSA in identifying unreported work that affects DI benefits. The assumption was that identification of unreported wages from a match with the OCSE database would be timelier than the current annual earnings reporting/processing operation. SSA examined a sample of 1,003 cases where there was a match between the OCSE new hires file and the Master Beneficiary Record. A retrospective examination of the sample cases found that in none of the cases would having this "new hire" information lead to an earlier determination to suspend or terminate disability benefits sooner than through the current CDR process. Consequently, SSA has concluded that an ongoing matching operation with OCSE new hires file, and the early knowledge of new employment, would have little, if any, effect in reducing improper payments.

**DEATH NOTIFICATION:** Timely and accurate death data enables SSA to better effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments and other jurisdictions to improve the current death registration process. The most efficient manner to improve timeliness and accuracy of State data is by using an Electronic Death Registration (EDR) system, a web-based automation of the death registration process. EDR electronically links the participants in death registration and contains an online real-time Social Security Number (SSN) verification process. SSA's goal is to receive a verified death report within 5 days of death and within 24 hours of the report's receipt in the State repository. EDR helps improve the accuracy of the death master file that we share with other Federal agencies. SSA currently receives death data via EDR from 16 States, New York City, and the District of Columbia. Fourteen States are in the process of implementing EDR. These States will implement by September 2008.

**COMPUTATIONS:** For the last 5 FYs (2002-2006), errors attributed to computations accounted for about 37 percent of all OASDI underpayment deficiency dollars and 11 percent of all OASDI overpayment deficiency dollars. In terms of all errors, computations accounted for 19 percent of total OASDI deficiency dollars for the period. For the 5-year period, leading causes of computational related underpayments were calculations involving family maximums, Automatic Earnings Reappraisal Operation (AERO), primary insured amount, and adjusted retirement factor/delayed retirement credit. The major cause of computation-related overpayments were cases involving the Windfall Elimination Provision.

SSA has developed two automation tools, "MacPaste" and "AEROWiz," to address errors involving computations. The first tool, MacPaste, helps eliminate transcription errors made by technicians who enter benefit rate and Primary Insurance Amount (PIA) information into the system, thereby enhancing productivity and accuracy. The second tool, AEROWiz, helps technicians process recomputations of benefit amounts by providing them with a convenient summary of all of the issues involved with the case. AEROWiz also helps technicians make decisions when determining years of coverage in cases involving the Windfall Elimination Provision and in cases involving earnings postings within the prior six years.

**RELATIONSHIP/DEPENDENCY:** This category involves a variety of issues such as unreported remarriage, not having child-in-care, and students who were not in full-time attendance. The deficiency dollars in this category are all overpayment-related. Errors attributed to relationship/dependency issues accounted for about 9 percent of all OASDI overpayment deficiency dollars. This category accounted for about 3 percent of total OASDI deficiency dollars.

SSA is evaluating several recommendations to address relationship/dependency errors. These recommendations include potential systems enhancements related to entitlement of stepchildren, procedural revisions and a possible legislative change.

**WAGES/SEI:** Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. Earnings-related errors most often result in underpayments to the beneficiary. For the period FY 2002-2006, about 90 percent of the deficiency dollars for this category were underpayments. Errors attributed to wages or self-employment issues accounted for about 25 percent of all OASDI underpayment deficiency dollars and 1 percent of all OASDI overpayment deficiency dollars. This category accounted for 8 percent of total OASDI deficiency dollars.

The Agency has taken a number of actions to reduce earnings-related errors. SSA added language to the improved Social Security Statement to remind the public to inform SSA of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits.

SSA has also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled SSA to exceed its goal (80 percent) to receive all Form W-2s electronically for tax year 2006. As of July 2007, SSA received 239,553,638 (84.4 percent) of W-2s electronically. For tax year 2007, SSA's goal is to receive 80 percent of all W-2s electronically.

To further improve posting of earnings records, in June 2005 SSA implemented the Social Security Number Verification Service (SSNVS). SSNVS allows registered employers or their third party representatives to verify the names and SSNs of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSNs per screen with immediate results or upload a file with up to 250,000 names and SSNs with the results available the next business day. In calendar year 2007, through September 28, 2007, SSA has verified over 43.5 million names/SSNs for nearly 33,000 employers.

The first phase of the Earnings Alert Project, which addresses the earnings problems prospectively, was implemented in October 2006. This phase automated the earnings review of Internet claims and extended the automation of the review criteria to all initial claims. Past analysis has shown that the Internet review criteria is effective in identifying earnings record inaccuracies and will effectively identify the source of the inconsistency. In addition, the revisions will eliminate an estimated 50 percent of the nonproductive alert reviews.

Earnings that remain in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. SSA is working to develop automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings; and,
- Match and move items from suspense to the beneficiary's earnings record.

SSA has also initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. These new processes have removed about 11 million wage items from the earnings suspense file. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file.

**WC:** SSA has an ongoing effort to prevent future problems in the WC area, as well as clean up past problem cases. However, this manually-intensive workload continues to be a challenge. Although WC offset is solely limited to Title II DI cases, errors attributed to WC offset accounted for about 31 percent of all OASDI underpayment deficiency dollars and 3 percent of all OASDI overpayment deficiency dollars. This category accounted for 11 percent of total OASDI deficiency dollars.

Many of the problems associated with this complex workload are due to technical difficulties in determining the correct rates and dates to be used in WC computations. There is no automated verification of WC payments, so SSA relies mainly on beneficiary disclosure of WC payments and changes. Many beneficiaries do not report this information on a timely basis, if at all. Consequently, some of these individuals are paid a higher Social Security disability benefit than they are eligible for, while others are underpaid since their WC stopped and their SSA benefit amount is not increased accordingly.

In addition, the variations in state laws regarding the offset of Social Security benefits for both WC payments and public disability benefits (PDB) contribute to payment problems. Some beneficiaries also receive a combination of weekly payments, PDBs and a lump-sum settlement. The combination of variance in state laws and multiple types of payments of WC/PDB received by a beneficiary often results in technical errors.

In FYs 2006 and 2007, SSA's processing centers (PCs) conducted a series of studies to determine the most productive cases to work in future years. Also in FY 2007, as part of a comprehensive approach to WC case processing, the PCs turned their attention to the quality of current WC case processing as the best avenue for fixing the perennial WC cleanup problem. To track the quality of all WC cases, the WC Quality Today (WCQT) project was launched in March 2006. WCQT incorporates a web-based quality review process and online reports providing accuracy and error data for each PC.

As part of WCQT, three initiatives aimed at improving the overall quality of the work have been implemented:

1) uniform random sampling of WC/PDB dispatches; 2) targeted reviews of highly error-prone cases; and, 3) refresher training for technicians who process WC cases. The initiatives have paid off with a 9.3 percent improvement rate in WC/PDB payment and accuracy rate from March 2006 to May 2007. In addition, efforts to improve processing of these complex claims have included enhancements to the Interactive Computation Facility for computing WC offset and specialized training for technicians.

For FY 2008, the PCs expect to review 10,255 clean-up cases, using the criteria developed in FY 2006 to determine which cases yield the highest return on investment, while continuing to concentrate on the quality of current WC case processing.

**DUAL ENTITLEMENT:** SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients, current and former, who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SSI benefits.

To prevent future missed entitlement, we have enhanced programs on both the SSI and OASDI systems. In FY 2007 we enhanced both the Title II and the Title XVI modernized claims systems to include questions that assist in the development of potential entitlement to SSI and other OASDI benefits. In addition, we implemented an enhancement in the SSI system to add the date that an OASDI claim was filed for documentation, and historical reference. Future enhancements planned for FY 2008 include implementing a follow-up alert when responses during an SSI interview reflect that an OASDI claim should be taken but none has been adjudicated, and establishing an automated control or lead for other potential benefits.

**ANNUAL EARNINGS TEST (AET):** AET errors involve situations where deductions in payments related to a beneficiary's work after retirement age were not taken into account or were not computed properly. Errors attributed to AET accounted for about 1 percent of all OASDI underpayment deficiency dollars and 7 percent of all OASDI overpayment deficiency dollars. Nearly 94 percent of the deficiency dollars in this category are Retirement and Survivors Insurance (RSI) overpayments. This category accounted for 5 percent of total OASDI deficiency dollars.

When a person has earnings after retirement, he/she is asked to report his/her earnings when those earnings exceed the annual exempt amount or when a change in expected earnings will affect benefits payable. SSA uses these reports to adjust benefits for the year. SSA's Stewardship review data indicates the leading cause of AET error is that wages were not reported or were reported incorrectly.

If a beneficiary does not provide an annual estimate or report (or provides an incorrect report), the enforcement process will identify the earnings when they are posted to the earnings record. SSA will develop through the FO to determine if withholding of benefits is applicable. Stewardship reviewers do not record an AET error until after the full enforcement process has been completed for a particular year.

**GOVERNMENT PENSION OFFSET (GPO):** GPO rules generally require Social Security benefits for a spouse or surviving spouse who receive a monthly pension from a State or local government agency to be reduced. Errors attributed to GPO accounted for 6.5 percent of all OASDI overpayment deficiency dollars. This category accounted for 5 percent of total OASDI deficiency dollars.

**CRITICAL PAYMENT PROCESSING:** In cases of dire need and financial emergency, SSA field offices have the option to use the Third Party Payment System (TPPS) to issue an immediate payment directly to the beneficiary. In FY 2007, SSA implemented a real-time interface between TPPS and the Critical Payment System (CPS). The automated interface enables field office personnel to initiate an immediate payment without having to make separate inputs to TPPS and CPS and enhances both payment accuracy and programmatic accounting.



## **IMPROPER PAYMENTS IN THE SSI PROGRAM**

To better track the causes of improper payments in the SSI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years, (FY's 2002-2006), a total of over \$186.6 billion was paid to SSI recipients. Of that total, \$12.6 billion was overpaid, representing 6.8 percent of outlays. Underpayments during this same period totaled \$2.8 billion, the equivalent of 1.5 percent of outlays.

### **MAJOR CAUSES OF SSI IMPROPER PAYMENTS**

For the 5-year period, FY 2002-2006, the major causes of overpayments in the SSI program (followed by a detailed description under the Corrective Actions section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

Each of these causes individually exceeded the sum of the next three leading causes of overpayment deficiencies.

The major causes of underpayments in the SSI program for the same period (followed by a detailed description under the Corrective Actions section) were:

- Wages
- Living Arrangements
- In-kind Support and Maintenance

### **CORRECTIVE ACTIONS**

For the entire 5-year period, 71 percent of the overpayment improper payments were caused by a change that occurred independent of an initial claim or redetermination.

**WAGES:** Wages have been one of the leading deficiency types for overpayment improper payments in the last 5 combined years. They accounted for about 18 percent of total overpayment improper payments during the 5-year period. The major factor (78 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate and timely report of new or increased wages for the recipient or deemor. Wage overpayments increased from \$416 million in FY 2005 to \$778 million in FY 2006, an 87 percent increase.

In an effort to achieve more timely and accurate reporting of wages, SSA has completed a pilot to test the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA tested whether SSI recipients (or their representatives, parents or spouses, where deemed wages affect benefit payments) would report wages monthly using this new technique. The key issues were the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. The results of this pilot were evaluated and SSA decided to conduct a second pilot to test a more user-friendly knowledge-based authentication process rather than the PIN/password process used in the first pilot (reporters had difficulty navigating the PIN/password process). The evaluation of the second pilot recommended expansion of wage reporting using touch-tone and voice recognition telephone technology. Timely and accurate reporting of wages offers the opportunity to prevent a substantial volume of SSI wage overpayments. SSA has planned to make enhancements to the authentication system and to allow implementation of a verification tolerance.

In both FY 2006 and FY 2007, there were significant changes in how non-medical redeterminations (RZs) and limited issues (LIs) were selected and released to the field offices. Due to Agency resource constraints, cases meeting certain characteristics were not automatically selected for redetermination unless they met specific criteria,

thereby decreasing the number of RZ and LI selections. The Agency completed almost 1.5 million RZ and LI reviews of SSI recipients in FY 2006, a decrease of 850,000 compared to FY 2005. The decrease in the number of RZs and LIs selected may have contributed to the 87 percent increase in wage overpayments for FY 2006.

Wages have been the leading cause of underpayment improper payments in 4 of the last 5 years, accounting for about 18 percent of total underpayment improper payments during the 5-year period. The major factor (80 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor. Over the 5-year period, wages earned by deemors accounted for 66 percent of underpayment improper payments and wages earned by recipients accounted for 34 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 48 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed. Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

**FINANCIAL ACCOUNTS:** For the 5-year period, financial accounts were one of the leading causes of overpayment improper payments, accounting for about 19 percent of the total. For FY 2006, financial account overpayment deficiencies project to \$682 million.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For each year in the 5-year period, the primary cause of these errors was the failure of the recipient or representative payee to advise the Agency of the existence of a financial account or an increase in the amount of an account.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments developed after the Agency had been in contact with the recipient. In FY 2006, 94 percent of the improper payments in this category fit this description.

The *Foster Care Independence Act of 1999* gives the Commissioner the authority to require SSI applicants and recipients and those individuals whose income and resources we consider in determining an individual's eligibility and benefit amount (deemors) to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA promulgated final regulations in FY 2004 that exercised the Commissioner's authority to require the authorization that set the stage to allow the Agency to query financial institutions electronically. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. In addition, verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination.

In February 2005, SSA initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The data gathering for this study concluded in FY 2005. A report of the findings from the Access to Financial Institutions pilot study was issued on November 3, 2006. Using the findings from a sample of initial claims and redeterminations processed by the New York and New Jersey field offices, the report presented an estimate of potential benefits and costs associated with a full national roll out of the Accuity's automated financial account verification system. SSA has pursued the issue of funding a national rollout of this initiative with OMB. Until such resources are available, we are continuing the operation of the Accuity system in the New York/New Jersey field offices and in SSA's Quality Performance offices nationwide to assist them in detecting bank account errors as part of the annual stewardship review process. We are also expanding the use of the Accuity system to field offices in the state of California. The target date for implementing this expansion is November 1, 2007. Eventually, a system that integrates the Accuity system with the Modernized Supplemental Security Income Claims System will be built to handle verifications in a more efficient and less labor-intensive manner. The development of

such a system is currently in the planning and analysis stage, but also dependent on the successful acquisition of additional funding.

**LIVING ARRANGEMENTS:** Living arrangements were the second leading cause of underpayment improper payments for 4 of the last 5 years, and the leading category in FY 2002. This category includes people who should have been paid based on “living in own household” (e.g., home ownership, rental liability, paying pro rata share of household expenses, but were paid based on another living arrangement.

Over the 5 years, this deficiency primarily occurred (78 percent) when the recipient/representative payee failed to provide an accurate timely report showing that the value of the one-third reduction (the reduction factor when a recipient is not paying his or her full share of the household expenses) no longer applied. Overall, recipients and representatives were responsible for the vast majority of underpaid dollars (80 percent) in this category because they initially provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, over one-half of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination. Only 5 percent of the total underpayment improper payments resulted when the recipient changed a contribution after receipt of the first SSI payment.

**IN-KIND SUPPORT AND MAINTENANCE (ISM):** ISM deficiencies were the third leading cause of underpayment error dollars over the last 5 years. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (82 percent). This occurred because recipients/representative payees failed to report changes or made an incomplete/inaccurate report (73 percent) and because field offices inaccurately processed cases (19 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, over one-half of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination.

On February 7, 2005, SSA issued regulations to simplify the SSI exclusions for automobiles and household goods and personal effects, and to simplify the counting of ISM by eliminating clothing from consideration. These changes simplify several SSI rules and make them less cumbersome to administer and easier for the public to understand. These simplifications were implemented by SSA field offices, and in October 2006, the SSI computer system was modified to fully support these simplifications. In FY 2007, SSA revised three of the information collection forms used to develop ISM in order to make them more effective. SSA is continuing to look at options for simplifying living arrangements and ISM policies which we believe would contribute to a reduction in underpayments.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when the Agency is not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

## **MEDICAL ASPECTS OF THE DI AND SSI PROGRAMS**

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The allowance, denial and overall accuracy rates for FYs 2005 and 2006 are presented in Table 3. These rates are determined by SSA's quality assurance review of initial claims. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, SSA established a combined allowance and denial goal for net accuracy. The goal for FY 2007 is 97 percent. FY 2007 data will be available in January 2008.

Table 3: DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2005	FY 2006
Allowance	98.0%	98.1%
Denial	95.3%	95.1%
Combined	96.3%	96.2%

Note: The changes from FY 2005 to FY 2006 are not statistically significant.

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2005, the Actuary has produced estimates that PER saved \$720 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 14:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. This initiative supports the President’s management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this initiative.

**IMPROPER PAYMENTS FOR ADMINISTRATIVE OUTLAYS**

An evaluation was conducted of SSA’s FY 2006 administrative payments and they were determined not to be susceptible to significant improper payments. In FY 2006, SSA outlaid \$10,557 million to administer the OASI, DI and SSI programs. These costs largely consisted of payroll and benefits but also included payments to State agencies for the DDS.

**RISK ASSESSMENT**

To better facilitate the risk assessment process, SSA segmented administrative payments into several categories. These categories were used to analyze and determine SSA’s vulnerability to improper payments.

Table 4: FY 2006 Administrative Expenses (\$ in millions)	
Payroll and Benefits	\$5,272
State DDS	\$1,772
Other Administrative Expenses*	\$3,513
<b>Total Administrative Payments</b>	<b>\$10,557</b>
Notes:	
*Other Administrative Payments includes Travel, Transportation, Rents, Communications & Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land & Structure, Grants, Subsidies, & Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest & Dividends, and Insurance Claims and Indemnities.	

Using OMB guidelines, SSA conducted a risk assessment on each of the categories listed in Table 4 on the previous page. The payment categories were reviewed and any identified improper payments were assessed versus the entire payment category. The result of this analysis showed that SSA's administrative payments were not susceptible to significant improper payments.

Also considered as part of the risk assessment were:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in SSA's administrative payment systems; and,
- The strong internal control structure SSA has in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, the Agency determined that SSA's administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

### **RECOVERY AUDIT PROGRAM**

Section 831 of the *Defense Authorization Act for FY 2002* added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of \$500 million in a FY to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that Agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, SSA has established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges; additionally, computer-assisted auditing techniques are utilized to identify possible duplicate payments. SSA's in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date and for the same amount to help identify payments which represent a higher risk of being double payments.

Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate SSA's existing controls for the prevention, detection, and collection of improper payments. Results from the recovery audit program continue to reinforce our internal control structure, thus demonstrating our commitment to the President's Management Agenda.

### **PROGRAM SCOPE**

The recovery audit program scope included a review of administrative contractor payments for FY 2006 totaling \$1.4 billion. Of that amount, about 0.12 percent or \$1,712,454 had been identified and collected. These results further validated SSA's existing controls for prevention, detection and collection of administrative improper payments.

The Agency has elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.

- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor’s final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Agency Component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
<b>Administrative Expenses</b>	\$1,383	\$54.876	\$1.712	\$1.712	\$.196	\$.196	\$1.908	\$1.908

**ACCOUNTABILITY FOR IMPROPER PAYMENTS**

In June 2002, SSA released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased overpayment detection and prevention, new measurement strategies, potential changes in SSI policies and Agency accountability. We are extremely pleased that the Government Accountability Office (GAO) removed the SSI program from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA’s progress to improve the management of the program. We are continuing our efforts to improve our management of the SSI program across three fronts: improved prevention of overpayments, increased overpayment detection, and increased collection of debt. To achieve these goals, SSA executives are held accountable for meeting the initiatives in the SSI Corrective Action Plan. Progress is monitored in regular meetings with SSA executives.

**AGENCY INFORMATION SYSTEMS TO REDUCE IMPROPER PAYMENTS**

**BACKGROUND**

In the SSI Corrective Action Plan discussed above, the Agency has identified a number of information technology (IT) initiatives aimed at prevention, detection and collection of improper payments. SSA has a formal process to plan and execute IT projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to the Agency’s Chief Information Officer (CIO) on areas of Capital Planning and Investment Control (CPIC). The ITAB is comprised of the CIO, Deputy Commissioner for SSA, all Deputy Commissioners and other executive staff.

As part of the CPIC environment, IT plans outlining Office of Systems IT initiatives are reviewed and approved by the ITAB prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to SSA's capital investment and control process.

**IT STRATEGY**

Starting in FY 2005, the "clusters" of IT projects were replaced with Strategic Objective (SO) Portfolios. These SO Portfolios are based on SSA's nine Strategic Objectives as defined in the Agency Strategic Plan. There are also two additional portfolios not corresponding to an Agency Strategic Objective: one for Infrastructure and one for

Legislation. The majority of improper payment IT initiatives fall within two SO portfolios: 1) Improper payments; and 2) Manage finances.

Provided the Agency develops the IT initiatives identified to improve preventing, detecting and collecting improper payments and is given the resources to do so, SSA will be in a better position to achieve its strategic objectives in this area. The President's FY 2008 budget for SSA is \$9,597 billion for Limitation on Administrative Expenses (LAE), an increase of \$299 million in discretionary budget authority over SSA's FY 2007 appropriation. With the President's FY 2008 budget, SSA will continue to improve the disability program through automation and process improvements; maintain service in the face of growing workloads; increase SSA's overall productivity; and improve administration of the nation's retirement, survivors, and disability programs. The budget supports SSA's efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include investments in continuing disability reviews and SSI non-disability redeterminations, as well as the use of computer matches to identify and prevent overpayments. Through these activities, SSA can ensure the ongoing stewardship of our programs.

### **STATUTORY AND REGULATORY BARRIERS TO REDUCING IMPROPER PAYMENTS**

SSA continuously develops legislative proposals to improve administration of the OASI, DI and SSI programs. For example, on May 29, 2007, SSA sent to Congress for their consideration amendments to the OASI, DI and SSI programs in support of the President's FY 2008 budget. One of the proposals would simplify administration of the DI program by modifying the rules for computing the reduction under the workers' compensation (WC) offset provision. (Receipt of WC payments often results in a reduction in the benefits payable to a disabled worker and the worker's entitled family members.)

**WC OFFSET SIMPLIFICATION PROPOSAL:** Simplifying the DI program reduces improper payments. One of the proposals in the President's budget would change the amount of the offset to a benefit reduction equal to the lesser of the worker's monthly WC benefit or a flat percentage (31 percent) of the Social Security DI benefits payable to the disabled worker and the worker's family. In addition, the offset period would be limited to no longer than 5 years from the worker's first month of entitlement to disability benefits.

The current WC offset provision is a complex aspect of the Social Security DI program, is difficult to administer, and is error-prone. The provision requires SSA to 1) base the initial offset on an amount equal to 80 percent of the worker's pre-disability earnings, 2) continually monitor the amount of the ongoing WC payment, 3) apply special rules when adding annual Cost-of-Living-Adjustments (COLAs) to the benefit payable, and 4) redetermine every three years the amount of the pre-disability earnings used in the offset. Due to the complexity of the provision, SSA devotes substantial staff time to reworking cases in which errors were made. This proposal would simplify the administration of the WC offset provision, thus allowing SSA to use its administrative resources more effectively. These resources could be applied to other pressing workloads at SSA—e.g., conducting Continuing Disability Reviews.

### **AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASI, DI AND SSI PROGRAMS**

In FY 2007, SSA collected \$2.49 billion in program debt. The Agency's debt collections are achieved in a variety of ways that have been developed over the years. Collection techniques include SSA's internal methods such as benefit withholding and billing and follow-up. In addition, the Agency uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* (FCIA) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG) and Federal Salary Offset (FSO).

SSA's strategy for improving its debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, SSA has worked steadily over the years to build the strong debt collection program it now employs. Although the Agency has a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund, it

launched an expansion of debt collection tools in the early 1990s that continues today. Taking advantage of the legal authorities granted to it in the *Omnibus Budget Reconciliation Act of 1990* (for OASDI debts), and the *Deficit Reduction Act of 1984* (for SSI debts), SSA began its expansion with the implementation of tax refund offset (TRO) in 1992. The Agency enhanced its TRO program twice in the 1990s and then merged it with TOP in 1998. To date, SSA has collected over \$1.3 billion in delinquent debt via TRO/TOP.

In 1998, SSA began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, the Agency also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over \$409 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

After receiving the authority to use mandatory Cross Program Recovery (CPR), or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, SSA developed and implemented this internal collection method. Since 2002, the Agency has collected over \$342 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients.

SSA received additional authority for CPR in the *Social Security Protection Act of 2004*. We are now able to use mandatory CPR in situations where CPR was not previously permitted. SSA started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments. In August 2007, SSA further expanded its use of CPR to include recovery of OASDI overpayments from SSI underpayments. Since implementing this expanded CPR process, SSA has recovered about \$4.7 million in OASDI overpayments. The Agency intends to continue expanding the CPR program to other situations in the future.

SSA also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each pay day from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. The first garnishment orders were issued in April 2005 to the employers of OASI, DI and SSI debtors who became delinquent in 2005. SSA expanded its AWG program to all existing delinquent debtors in August 2006. To date SSA has recovered over \$13 million in AWG.

In November 2005, the Agency implemented a new initiative called the Non-Entitled Debtors (NED) program, also authorized by the FCIA. This automated system enables SSA to collect debts owed by people who do not have a master record with the Agency. Debtors such as representative payees who receive overpayments after the death of the beneficiary are controlled by this system. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits and will allow SSA to collect NED debts by means such as TRO, AWG and FSO.

FSO, authorized by the DCIA for OASDI debts and the FCIA for SSI debts, was also implemented in FY 2006. FSO is the process whereby the salary paying agency withholds amounts each pay day from an employee of the Federal government who owes a debt to a creditor agency. For SSA, FSO is a debt collection tool used to collect delinquent SSA overpayments owed by Federal employees, including employees who work for SSA.

In addition to the preceding improvements, SSA implemented other debt collection techniques of major import. One such improvement is called "Netting," an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, SSA has prevented over \$471 million in overpayments computed and underpayments paid through September 2007.

SSA also helped other Federal agencies with debt collection by collaborating with Treasury's Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the *Taxpayer Relief Act of 1997*, collects delinquent tax debts from Social Security benefits.



Continued improvement in the Agency's debt collection program is also underway. The future will see the completion of several remaining debt collection tools. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value. For additional information, please refer to the Debt Management narrative in the *Other Reporting Requirements* section of the report.

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# APPENDIX

# GLOSSARY OF ACRONYMS

## A

ACSI	American Customer Satisfaction Index
AERO	Automatic Earnings Reappraisal Operation
ADA	Agency Decisional Accuracy
ADP	Automated Data Processing
AET	Annual Earnings Test
AFGE	American Federation of Government Employees
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASA	Average Speed of Answer
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

## C

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CDREO	Continuing Disability Review Enforcement Operation
CFO	Chief Financial Officer
CIO	Chief Information Officer
CMS	Centers for Medicare and Medicaid Services
COLA	Cost-of-Living-Adjustment
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPIC	Capital Planning and Investment Control
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross Program Recovery
CPS	Critical Payment System
CSRS	Civil Service Retirement System
CY	Calendar Year

## D

DCF	Disability Control File
DCIA	Debt Collection Improvement Act
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DOL	Department of Labor

DOS	Department of State
DSI	Disability Service Improvement
<b>E</b>	
EAB	Enumeration-at-Birth
EaE	Enumeration-at-Entry
eDib	Electronic Disability
EDR	Electronic Death Registration
EEO	Earnings Enforcement Operation
eGov	E-Government
EIC	Executive Internal Control
ESF	Earnings Suspense File
<b>F</b>	
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCIA	Foster Care Independence Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FICA/SECA	Federal Insurance Contributions/Self Employment Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FSO	Federal Salary Offset
FY	Fiscal Year
<b>G</b>	
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GS	General Schedule
GSA	General Services Administration
<b>H</b>	
HHS	Department of Health and Human Services
HI/SMI	Health Insurance/Supplemental Medical Insurance

**I**

IDA	Independence Day Assessment
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
IRTPA	Intelligence Reform and Terrorism Prevention Act
ISBA	Internet Social Security Benefits Application
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board
ITOA	Information Technology Operations Assurance

**K**

KPI	Key Performance Indicator
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**L**

LAE	Limitation on Administrative Expenses
LI	Limited Issue

**M**

MCAS	Managerial Cost Accountability System
MD&A	Management's Discussion and Analysis

**N**

NAS	National Academy of Sciences
NED	Non-Entitled Debtors

**O**

OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCSE	Office of Child Support Enforcement
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
O/P	Overpayment

**P**

PACS	Performance Assessment and Communication System
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PC	Processing Center
PDB	Public Disability Benefits
PER	Pre-Effectuation Review
PIA	Primary Insurance Amount

PII	Personally Identifiable Information
PMA	President's Management Agenda
PP&E	Property, Plant and Equipment
PPWY	Production Per Workyear
PSC	Program Service Center
PTF	Payments to the Social Security Trust Funds
Pub. L. No.	Public Law Number
PwC	PricewaterhouseCoopers LLP
<b>Q</b>	
QDD	Quick Disability Determination
<b>R</b>	
RO	Regional Office
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSDI	Retirement, Survivors and Disability Insurance
RSI	Retirement and Survivors Insurance
RSI	Required Supplementary Information
RZ	Redetermination
<b>S</b>	
SBR	Statement of Budgetary Resources
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SF-133	Budget Execution Reports
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SO	Strategic Objective
SOSI	Statement of Social Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSPP	Standardized Security Profile Project
ST&E	Security Testing and Control
SUMS	Social Security Unified Measurement System

**T**

Title II	Social Security
Title VIII	Special Benefits for Certain World War II Veterans
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
TPPS	Third Party Payment System
TRO	Tax Refund Offset
TRO/TOP	Tax Refund Offset/Treasury Offset Program
TY	Tax Year

**U**

U/P	Underpayment
USC	United States Code

**W**

W-2s	Wage and Tax Statements
WC	Workers' Compensation
WCQT	WC Quality Today



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