

A Message from the Commissioner

The Social Security Administration has a proud tradition of successfully meeting our goals. I am delighted to report that 2004 is no exception. Day-in and day-out, Social Security employees are advancing the economic security of the 52 million Americans who receive monthly benefits and the 156 million taxpaying workers and their families who will receive retirement, disability and survivor benefits in the future. The Social Security Administration's Performance and Accountability Report (PAR) for Fiscal year (FY) 2004 shows how well Social Security performed during the year and demonstrates our commitment to continue to provide the service the American people deserve.



There are a multitude of efforts underway at the Agency – both large and small – to improve the services we deliver and the way we do business. The Agency made great strides in meeting our goals during FY 2004, the second year of our 2003-2008 Strategic Plan: Giving the American people the service they deserve; improving program integrity through sound financial stewardship; ensuring the program's financial solvency for future generations; and maintaining the quality of staff the Agency needs to provide a high level of service and stewardship. We recognize the areas needing improvement and have plans in place to achieve them.

Serving the American People

One of the Social Security Administration's highest priorities is to improve service to the public in the disability programs. Each disability claim represents a person and often a family. The length of time it takes to process these claims is unacceptable. To reduce delays inherent in mailing, locating and organizing paper folders, the Agency has implemented the electronic disability initiative, which replaces the traditional paper disability folder with an electronic folder that can be accessed by all case processing components involved in the disability claims process. Social Security is testing innovative ways to improve the disability program with a particular focus on increasing opportunities for people with disabilities to return to work. We continue to take steps to remove barriers to employment and increase opportunities for people with disabilities who want to actively participate in the workforce.

Good Stewards of Taxpayer's Money

In conducting our vital mission, we have been effective and accountable stewards of the taxpayers' money. Among our most noteworthy accomplishments during FY 2004 were:

- Achieving a 2.2 percent productivity increase;
- Receiving the Certificate of Excellence in Accountability Reporting for the sixth consecutive year. Social Security is the only Federal agency to receive this prestigious award each year it has been awarded;
- Obtaining an unqualified audit opinion on our consolidated financial statements with no reported material weaknesses on internal controls or noncompliance with laws and regulations. Social Security has received an unqualified opinion on its financial statements since 1994; and
- Participating in the 2003 Presidential Award for Management Excellence competition and receiving two honorable mentions for the Agency's use of management solutions to further the Administration's objectives for the President's Management Agenda (PMA).

As required by the Improper Payments Information Act of 2002, the PAR also provides information on the amount of improper payments made by the Agency, the causes behind those improper payments, and the actions underway to reduce them. Although the Government Accountability Office removed the Supplemental Security Income (SSI)

program from its high-risk list in FY 2003, we are continuing our efforts to improve our management of the SSI programs across three fronts – improved prevention of overpayments, increased overpayment detection and increased collection of debt.

The Social Security Administration's stewardship responsibilities require that the Agency recover as much debt as possible. Each one percent increase in payment accuracy in our SSI program alone equates to \$350 million of error prevented. I have made it an Agency priority to improve the financial integrity and management of all the Social Security programs that we administer. I have an excellent team pursuing this issue, under the leadership of Social Security's Deputy Commissioner who meets regularly with the accountable executives. I am unwavering in my commitment to the President's initiative in this area and to the congressional support reflected in the law. Our responsibility as stewards of the public trust demands no less. Evidence of that commitment is reflected in my designation of "Stewardship" as one of the Agency's top four strategic goals.

President's Management Agenda

Social Security has embraced the PMA initiatives as regular management practices and we are focused on outcomes and results that benefit the public. Two of these are Improved Financial Performance, and Budget and Performance Integration. In support of these initiatives, the Agency will continue integrating budgeting and planning into all aspects of our stewardship, and provide timely and accurate financial and performance information that facilitates Agency decision making. In the area of Human Capital, I have ensured that we have an effective succession plan in place to fill critical positions throughout the Agency as employees retire. We received "green" status grades in our Budget and Performance Integration and Human Capital initiative in 2004, giving us three greens out of five.

Performance and Financial Data

We are committed to providing data that is complete and reliable to those who use it for decision making. We believe the performance and financial data presented in this report are complete and reliable as outlined by the guidance available from the Office of Management and Budget (OMB). We have identified no material inadequacies and this report describes our continuing efforts to provide timely and useful performance information to Social Security managers, OMB and Congress.

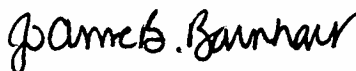
In addition, the Agency has evaluated its management controls and financial management systems as required by the Federal Managers' Financial Integrity Act of 1982. On the basis of our comprehensive management control program, I am pleased to certify with reasonable assurance that the Agency complies with the provisions of this Act.

Strengthening Solvency for Future Generations

Next year, Social Security will mark its 70th anniversary. It is a dynamic program that has changed over time to meet changing circumstances. As the debate moves forward on how best to strengthen Social Security for the future, the Agency must continue to educate the public about long-range financing issues affecting solvency, ensuring the program meets the needs of today's and tomorrow's beneficiaries. Social Security's employees, at all levels throughout the country, continue to communicate with the public at seminars, conferences and forums about how the programs currently work and the long-range challenges facing the trust funds.

Dedicated and Talented Staff

The 65,000 dedicated men and women of the Agency, and the 14,000 State Disability Determination Services employees, do everything in their power to give the American people the service they expect and deserve. Our employees take pride in administering America's most important and successful social program and recognize that each number represents a person, someone whose life will be affected by the work that we do, and how well we do it. I am proud to head an Agency with so many talented and innovative employees.



Jo Anne B. Barnhart
November 10, 2004



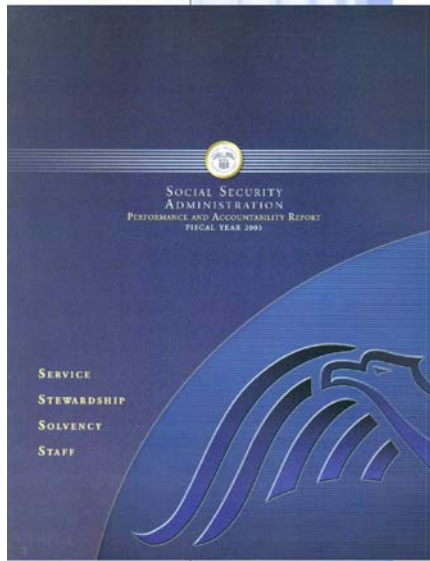
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SSA's FY 2004 Performance and Accountability Report is available
on the Internet at: www.socialsecurity.gov/finance

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 Agency. It provides a description of who we are, what we do and how well we meet the goals we have set. The Message from the Commissioner is part of the MD&A.


The Overview of SSA section highlights SSA's mission as set forth in the Agency's Strategic Plan (ASP). This section also discusses the major programs we administer: 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.

Following the Overview of SSA section is a discussion of the challenges that SSA has faced over the past year and will be facing in the future. The Performance and Accountability Report (PAR) 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 activities and strategies in place to deal with them. These challenges are based on the Major Management Challenges currently designated by the Government Accountability Office and SSA's Office of the Inspector General. The challenges are aligned with the nine strategic objectives outlined in the Agency Strategic Plan.

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in the Strategic Plan. In March 2004, the Agency provided Congress with its FY 2005 Annual Performance Plan (APP) and Revised Final FY 2004 APP, which brought the Agency's strategic goals, objectives and performance measures in line with the Strategic Plan. The Performance 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 FY 2004, SSA used 45 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 45 performance measures, 17 were selected as Key Performance Indicators, which the Agency believes best tell the story of its efforts to address the most critical challenges. The remaining FY 2004 GPRA performance measures and their targeted performance and results may be found in the Performance Section of the report under GPRA Performance Results.

In addition to discussing program performance, the MD&A also addresses our 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. A summary of our progress in reducing improper payments is also included.

Finally, the Systems and Controls section of the MD&A provides a discussion of the actions SSA has taken to address our management control responsibilities and of the determination of the Agency's compliance with the Federal Financial Management Improvement Act and the Federal Information Security Management Act.

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Management's Discussion and Analysis

Overview of SSA

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

Few government agencies touch the lives of as many people as the Social Security Administration (SSA). About 52 million Americans—one out of every six—receive monthly cash benefits from Social Security or Supplemental Security Income (SSI), the major programs that we administer. Through their payroll taxes, almost all workers are earning valuable Social Security coverage for themselves and their families. The following table provides the number of beneficiaries for the Social Security Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), SSI programs and the combined programs. Over the period from September 1995 to September 2004, the number of OASI beneficiaries has grown by 6 percent, DI by 34 percent and SSI by 15 percent.

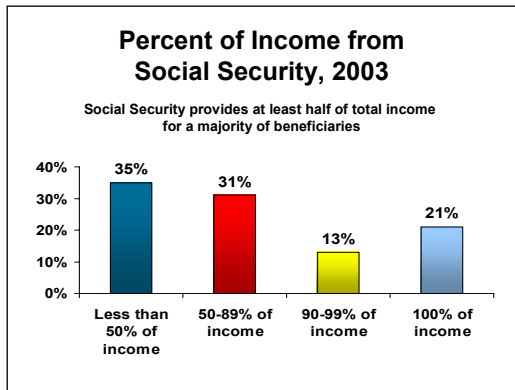
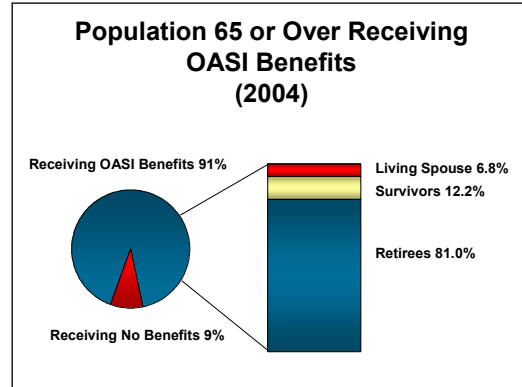
Number of Beneficiaries at End of September (In Millions)										
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
OASI	37.5	37.6	37.8	37.9	38.0	38.7	38.9	39.2	39.4	39.6
DI	5.8	6.0	6.1	6.3	6.5	6.6	6.8	7.1	7.5	7.8
SSI and OASDI	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5
SSI only	4.0	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.4	4.6
Total ¹	47.3	47.8	48.1	48.4	48.7	49.5	50.0	50.7	51.3	52.0

1. Sum of OASI, DI and SSI only.

The combined Old-Age, Survivors and Disability Insurance (OASDI) programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people. Social Security is intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments and other insurance. The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 2003 was \$87,000 and increased to \$87,900 in 2004.

OASI Program: The OASI program is financed by the OASI trust fund. To qualify for OASI benefits, a worker must have paid Social Security taxes (Federal Income Contributions Act and/or Self-Employment Contributions Act) for at least 10 years (or 40 credits) over the course of his/her lifetime. Individuals born before 1929 need fewer credits to qualify. Nine out of 10 working Americans can count on benefits when they retire, with reduced benefits payable as early as age 62. Benefits are also paid to certain members of retired workers' families and to survivors.

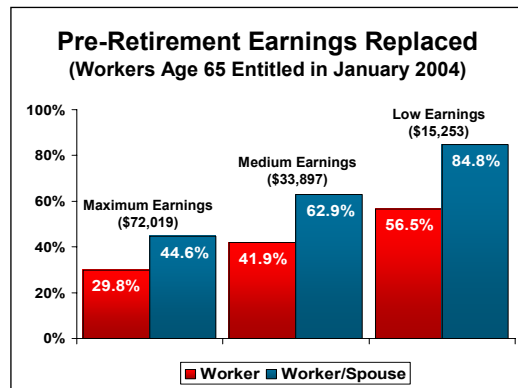
As shown in the chart to the right, 91 percent of people age 65 or over in calendar year 2004 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 97 percent of persons aged 20-49 who worked in covered employment in 2003 have acquired survivorship protection for their children under age 18 (and surviving spouses caring for children under age 16).



In 2003, Social Security benefits comprised 39 percent of the aggregate share of all income to the aged population 65 and over. Other sources of income include assets (14 percent), earnings (25 percent), and pensions (19 percent) both Government and private.

While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For a third of beneficiaries, it contributes all or almost all of the income; and for almost two thirds of the beneficiaries, it is the major income source (see chart on left).

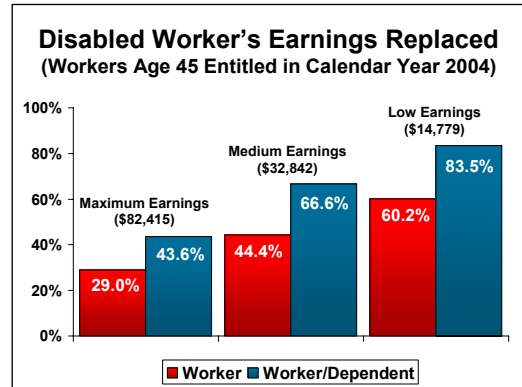
The level of preretirement (career-average) earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted in favor of workers with low levels of earnings. The chart on the right shows the replacement rate in 2004 for individuals and couples (i.e., worker with a spouse who is not insured) at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed to 2003.



DI Program: To qualify for DI benefits, an individual must meet a test of recent covered work before becoming disabled. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. About 9 out of 10 persons age 21 through 64 who worked in covered employment in 2002 will receive benefits if they become disabled. Workers are considered disabled if they have a medically determinable physical or mental impairment that prevents them from engaging in substantial gainful activity. The disability must have lasted or be expected to last for a continuous period of not less than 12 months or be expected to result in death.

Once benefits begin, they continue for as long as the individual is disabled and does not perform substantial gainful work. However, the programs provide incentives for people who would like to try to return to work. SSA also conducts periodic continuing disability reviews to determine whether beneficiaries are still disabled.

The chart to the right shows the replacement rate in 2004 for disabled workers and their dependents at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed to 2003.



The table below presents a historical perspective on medium earnings replacement for both the OASI and DI programs.

Medium Earnings Replaced Historical Perspective						
	1954	1964	1974	1984	1994	2004
Disabled Worker ¹	NA	32.7%	42.2%	43.3%	44.9%	44.4%
Retired Worker	26.6%	27.0%	38.7%	43.5%	42.8%	41.9%

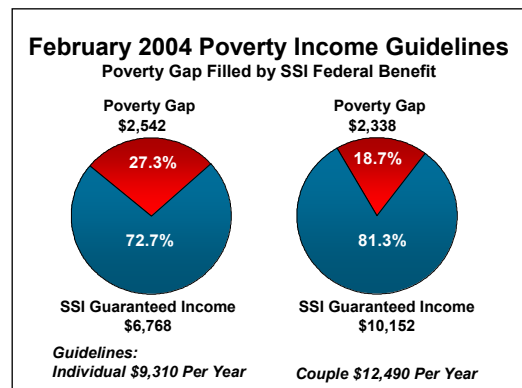
1. Based on 45-year old disabled worker. Data not available for disability benefit payments for 1954 as program began in 1957.

SSI Program: SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Children, as well as adults, can receive payments because of disability or blindness.

The definitions of disability for adults used in the SSI program, as well as continuing disability review procedures, are the same as those used in the DI program with the exception of statutory blindness, for which different rules apply. There is a separate definition of disability for children seeking SSI benefits. There are general provisions to encourage working and special incentives to those beneficiaries who have disabilities or are blind. The Federal benefit rate and eligibility requirements are uniform nationwide. However, various States provide a supplement to the SSI benefit.

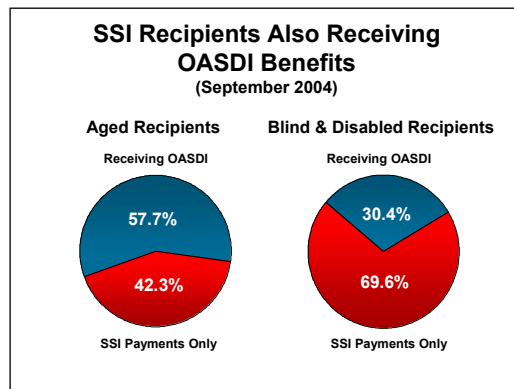
As shown in the chart to the right, SSI recipients with no other income receive the full SSI Federal benefit which is 72.7 percent of the poverty level for an individual and 81.3 percent for a couple.

The portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplementation payments. Also, SSI recipients may be eligible for food stamps, Medicaid and social services.



In September 2004, 35.2 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 3.9 percent of the recipients, earnings were a source of additional income.

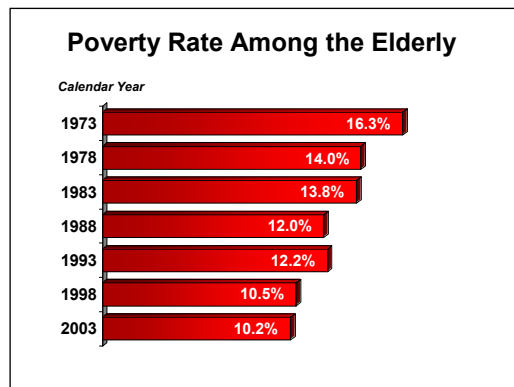
OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 35.2 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (57.7 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.4 percent).



How SSA Benefits the Public

Social Security is widely considered the nation’s most successful domestic federal program. By design, it is a universal program that provides a basic level of protection to all covered workers based on their past earnings. SSI provides a backstop to Social Security by guaranteeing a minimum level of income to needy elderly persons and persons with disabilities, including children.

It is clear that Social Security and SSI have had a significant role in the improved economic security of the nation’s people. Poverty among the elderly has been reduced by 37 percent over the past 30 years, decreasing from 16.3 percent in 1973 to 10.2 percent in 2003. In 1936, when Social Security numbers were first assigned to workers, most of the nation’s elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of elderly Americans and millions more who are protected in case of death or disability.



The portion of the population that is insured for Social Security benefits has grown steadily over the years. The percentage of people aged 20 and over who are fully insured increased from 77 percent in 1970 to 87 percent in 2004. Although men are more likely than women to be insured, the gender gap is shrinking. The proportion of men who are insured has remained essentially stable, with 92 percent fully insured. By contrast, the proportion of women who are fully insured has increased from 63 percent in 1970 to 83 percent today.

Rates of poverty and program coverage are important outcome measures that provide an indication of how Social Security and SSI are improving the lives of the American people. These and other outcome indicators of SSA’s performance are discussed in more detail under Outcome Indicators in the Performance Section of this report. But the agency’s programs are far from the only factors that affect the economic status of the aged and survivor populations and persons with disabilities. Personal choices, savings, private and other public sector coverages, social institutions, and the state of the economy also play important roles. Moreover, most of the important features of SSA’s programs are established by law and cannot be altered by our agency.

SSA provides information to educate the public about the financing challenges facing the Social Security programs. As discussions continue on how best to strengthen Social Security for the future, the Agency’s goal is to ensure that the public has the information needed to understand the issue.

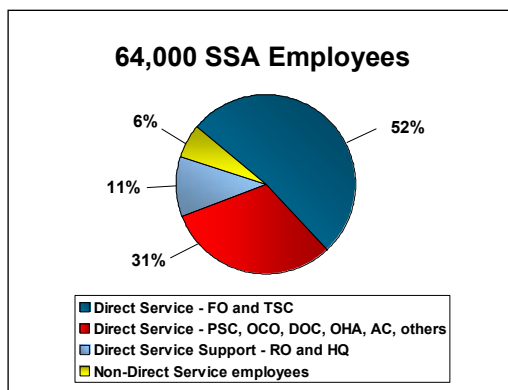
Agency Organization

As the Agency charged with managing and delivering all of these important programs, for over 60 years SSA has ranked among the premier agencies in government service. In many communities across the country and to many people, SSA has been the primary face of the federal government, and Americans have generally viewed the Agency's performance and service favorably. The nation's citizens expect SSA's employees to be respectful, responsive and reliable.

SSA's organization is centrally managed with a decentralized nationwide network of over 1,500 Field Offices (FO), Regional Offices (RO), Teleservice Centers (800-Number), Program Service Centers (PSC) and Hearings Offices (HO). SSA's organizational structure is designed to provide timely, accurate and responsive service to the American 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.

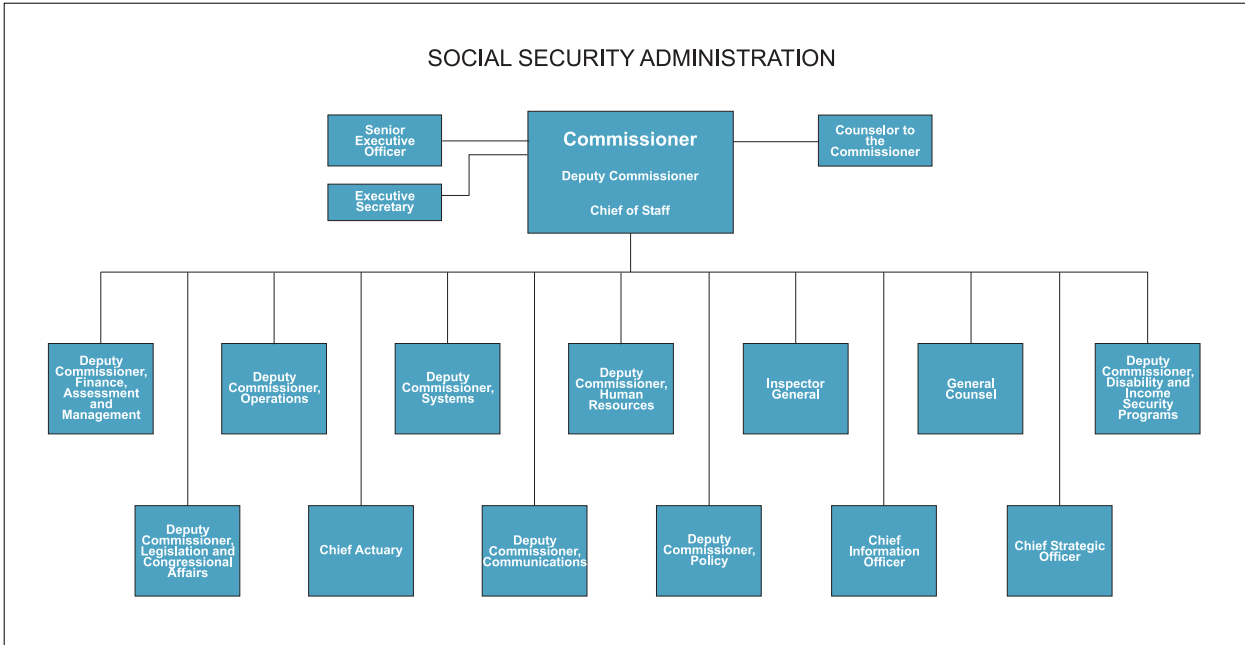
Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service (1-800-772-1213). The PSCs process a wide variety of workloads, as well as take 800-Number calls. The Office of Central Operations (OCO), which includes the Data Operations Center (DOC), processes a wide variety of workloads involving disability, international and earnings operations and also has an expanding role in taking 800-Number calls. The HOs and Appeals Council (AC) adjudicate appeals of SSA determinations in claims for benefits.

About 59,700 of Social Security's 64,000 employees deliver direct service to the public or directly support the services provided by our front-line workers. The public is most familiar with the 33,200 employees in SSA's 1,336 FOs and 36 Teleservice Centers. They are also served by 19,600 employees in the PSCs, the Office of Central Operations, the HOs, the AC, the Office of General Counsel, the Office of the Inspector General "hotline," the Office of Public Inquiries, and by staff providing direct service via the Internet. Another 6,900 employees in regional offices and headquarters directly support the services delivered by SSA's front-line workers. Additionally, the disability programs depend upon the work of about 16,000 employees in state Disability Determination Services (DDS).



SSA's remaining employees perform equally important functions in developing other 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 work spaces. Whether in SSA or a DDS, each and every employee in front-line and staff positions plays an important role in the success of the nation's Social Security programs

SSA's organizational structure as shown below is designed to provide responsive, swift and high-quality service to the public. By integrating services for all programs it administers, SSA is able to enhance efficiency, avoid duplication of effort and increase opportunities to provide one-stop service.



Agency Challenges

Early in 2003, SSA published the Agency Strategic Plan for Fiscal Years (FYs) 2003-2008. The Strategic Plan reflects the priorities and direction of SSA's Commissioner and the Administration and sets SSA's course (through FY 2008) for achieving measurable results that benefit the public. The Plan is comprised of the four strategic goals, which provide the framework for the Agency's efforts:

- **To deliver high-quality, citizen-centered Service**
- **To ensure superior Stewardship of Social Security programs and resources**
- **To achieve sustainable Solvency and ensure Social Security programs meet the needs of current and future generations**
- **To strategically manage and align Staff to support SSA's mission**

The Service, Stewardship, Solvency and Staff goals are comprehensive. They are linked to SSA's total resource needs and provide employees direction in all areas of their work. The Strategic Plan also outlines nine supporting strategic objectives within the four goals that focus on key areas of importance or those needing improvement. These objectives address the major issues facing SSA over the next 5 years and are used as the framework for this section. The Social Security Administration will also have new challenges and responsibilities in the implementation of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The Agency will answer general inquiries, make referrals, and send correspondence to those who may be eligible for the new prescription drug discount card. But more importantly, the Agency will play a key role in Part B premium calculations and withholding for high income beneficiaries and Part D prescription drug benefit subsidy eligibility determinations for low-income beneficiaries. The Agency is committed to providing high quality, efficient service for this potentially complex workload.

SSA's strategic objectives incorporate the themes expressed in the President's Management Agenda (PMA) initiatives. The PMA initiatives, which are listed below, are focused on more efficient use of taxpayer dollars and citizen-centered service.

- Expanded Electronic Government — makes it simpler for people to receive high-quality service from the Federal government, while reducing the cost of delivering those services;
- Competitive Sourcing — seeks to achieve greater efficiency in program administration, effective competition between public and private sources, and promotion of innovation;
- Improved Financial Performance — focuses on reducing improper payments and ensuring that Federal financial systems produce accurate and timely information to support operating, budget and policy decisions;
- Budget and Performance Integration —aligns resources to performance, using program evaluation in planning and budget decisionmaking, and improving accountability for performance; and
- Strategic Management of Human Capital —involves reducing the distance between citizens and decision-makers by streamlining the organization and reducing the time it takes to make decisions.

At the end of the September 2004 quarter, SSA received the highest rating, from the Office of Management and Budget (OMB) for three PMA initiatives by receiving "green" for overall current status in Financial Management, Budget and Performance Integration and Human Capital with a "yellow" for Expanded Electronic Government and Competitive Sourcing. SSA was rated "green" in progress in four of the five initiatives. SSA is proud of these scores and is committed to doing even better.

The table that follows displays the Major Management Challenges currently cited by the Government Accountability Office (GAO) and the Office of the Inspector General (OIG). Specifically, the table crosswalks these Major Management Challenges to SSA’s strategic goals and objectives and to the PMA items. Following the table is a discussion of each of the major issues facing SSA and the strategies the Agency has in place to meet these challenges. This discussion is organized according to the Agency's strategic goals and objectives.

MAJOR MANAGEMENT CHALLENGES

Cross-walked to SSA's Strategic Goals and to the President's Management Agenda (PMA)

SSA's Strategic Goals and Objectives	PMA Items	GAO and OIG Designated SSA Major Management Challenges
<p>A. <u>SERVICE</u></p> <ol style="list-style-type: none"> 1. Make the right decision in the disability process as early as possible 2. Increase employment for people with disabilities 3. Improve service through technology 	<p>Expanded Electronic Government</p>	<ul style="list-style-type: none"> • Management of the Disability Process (OIG) • Improve Programs that Provide Support for Individuals with Disabilities (GAO) • Better Position SSA for Future Service Delivery Challenges, Including Information Technology (GAO) • E-Government (OIG's Service Delivery)*
<p>B. <u>STEWARDSHIP</u></p> <ol style="list-style-type: none"> 4. Prevent fraudulent and erroneous payments and improve debt management 5. Strengthen integrity of Social Security Number (SSN) 6. Increase the accuracy of earnings records 7. Efficiently manage Agency finances and assets and effectively link resources to performance outcomes 	<p>Competitive Sourcing</p> <p>Improved Financial Performance</p> <p>Budget and Performance Integration (including Program Assessment Rating Tool (PART) requirements)</p>	<ul style="list-style-type: none"> • Continue to Strengthen the Integrity of the SSI Program (GAO) • Improper Payments (OIG) • Social Security Number Integrity and Protection (OIG)** • Budget and Performance Integration (OIG) • Strengthen Controls to Protect the Personal Information SSA Develops and Maintains (GAO) • Critical Infrastructure Protection and Systems Security (OIG) • Representative Payee (OIG's Service Delivery)*
<p>C. <u>SOLVENCY</u></p> <ol style="list-style-type: none"> 8. Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs 	<p>None</p>	<p>None</p>
<p>D. <u>STAFF</u></p> <ol style="list-style-type: none"> 9. Recruit, develop and retain a high-performing workforce 	<p>Strategic Management of Human Capital</p>	<ul style="list-style-type: none"> • Human Capital (GAO and OIG's Service Delivery)*

*OIG's Service Delivery challenge includes E-Government, representative payee and human capital. ** OIG's Social Security Number Integrity and Protection challenge includes Homeland Security and the Integrity of the Earnings Process.

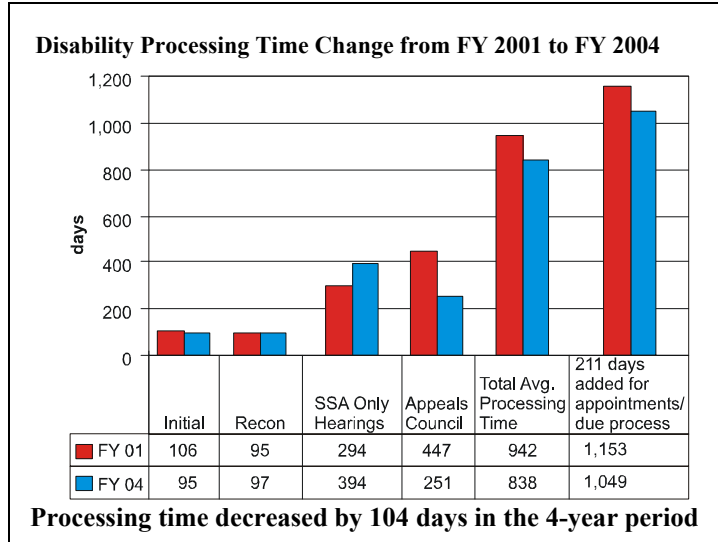
Service

Make the right decision in the disability process as early as possible

One of SSA's highest priorities is to improve service to the public in the disability programs from the initial claim through the final administrative appeal. Each Social Security and Supplemental Security Income (SSI) disability claim represents a person and often a family.

According to SSA's service delivery assessment of the disability process completed in 2002, persons pursuing their disability claims through all levels of Agency appeal waited an average of 1,153 days in FY 2001 for the final Agency decision. Cases going through all levels of appeal spent nearly 525 days in waiting for SSA action. SSA has already succeeded in reducing disability processing time. Appeals Council processing time was reduced significantly while processing time for initial disability decisions and reconsiderations remained relatively stable in spite of increased receipts and major process changes.

Overall, process improvements since FY 2001 have resulted in a decrease of 104 days in average disability claim processing time from the 1,153 days to a FY 2004 average processing time of 1,049 days.



The most significant external factor that may affect SSA's ability to improve service to disability applicants in the future is the potential for substantial growth of workloads. Applications are expected to rise as the baby boomers enter their disability-prone and then retirement years.

Responding to these challenges, SSA will improve the economic security of the public by:

- Improving service to disability claimants by making accurate decisions on their claims faster; and
- Helping disability recipients with timely financial, medical and vocational support that helps them maximize their economic and physical well-being.

With Disability Insurance rolls projected to grow 35 percent in the 10-year period ending 2012, SSA continues to implement process improvements. The following is a discussion of SSA's most critical strategies and activities to address disability service.

Electronic Disability (eDib) Initiative: To reduce delays inherent in mailing, locating and organizing paper folders, SSA has implemented the electronic disability initiative (eDib), which replaces the traditional paper disability folder with an electronic folder that can be accessed by all case processing components involved in adjudicating and reviewing disability claims. Implementation of the eDib business process began in January 2004, with full expansion to be completed by the end of FY 2006. As of the end of FY 2004, eDib has been initiated 14 States. Activities that support the eDib process include:

- Use of scanning technology to convert paper documents for electronic storage.
- Expansion of the Electronic Disability Collect System (that captures information collected during the disability interview) to support all types of disability claims, including Continuing Disability Reviews.
- Expansion of the types of services available to people filing for disability via the Internet.
- Development and implementation of a Case Processing and Management System for the Office of Hearings and Appeals (OHA).
- Migration of Disability Determination Services (DDSs) to an information technology platform that allows them to interface with the electronic folders.
- Interfacing all case processing components with the electronic folder.
- Development of electronic processes to speed the request and retrieval of evidence from medical and educational sources.

Improve the Disability Process: On September 25, 2003, the Commissioner testified before the House Ways and Means Subcommittee on Social Security and presented her approach to improve the disability determination process. The focus of the new approach is to make the right decision as early in the process as possible. Several aspects of the new approach are intended to improve the accuracy, timeliness, and consistency of decisions, such as having the DDS decisionmakers more fully develop and document their decisions, providing for centralized quality review of all decisions, and providing all adjudication levels equal access to medical expertise. The new approach takes a comprehensive look at quality during each step of the disability adjudication process. Ensuring accountability at each step, it will include an in-line quality assurance process and a centralized quality control review that will replace the current SSA quality assurance system. This shift to an in-line quality assurance review will provide greater opportunities for identifying problem areas and implementing corrective actions and related training. Likewise, a centralized quality control review will provide consistent end-of-line reviews and timely feedback to disability decisionmakers. The Commissioner also testified before the House Ways and Means Subcommittee on September 30, 2004 to provide an update on Agency activities to complete development on the new approach.

In addition to the disability process changes outlined above, the Commissioner noted plans for the following work opportunity demonstration projects:

- **Temporary Allowance:** This demonstration project will allow SSA to provide immediate cash and medical benefits for 12 to 24 months to applicants who are likely to benefit from aggressive medical care that would help them to return to work.
- **Interim Medical Benefits:** This project will provide medical benefits to individuals with no medical insurance (no “treating source” evidence) whose medical condition would likely improve with treatment. Interim medical benefits will facilitate the development of the necessary documentation for disability adjudication while providing the applicant needed services.
- **Ongoing Medical Benefits:** This project will test the effects of providing ongoing health insurance coverage to beneficiaries who wish to work, but have no other affordable access to health insurance. The Agency is developing a pilot study which will target individuals with immune disorders which will begin in 2005.

- **Early Intervention:** Experts indicate that providing intervention methods to individuals with disabilities as close to the disability onset as possible significantly improves their chance of returning to work. The Agency will use a screening process to identify applicants who are likely to meet SSA’s definition of disability and who are likely to be ready to return to work in the near term. These applicants would receive a cash stipend for 12 months and Medicare for 3 years upon agreeing to attempt to work as soon as possible.

Progress in Implementation of the Proposal: The Commissioner’s proposal was based on information provided by SSA and DDS employees, interested organizations, private disability insurers, the Social Security Advisory Board, and others. This proposal is the first step in a collaborative process that will lead to a final plan for disability improvements. The Commissioner plans to work within the Administration, with Congress, the State DDSs, interested organizations and advocacy groups before arriving at a final plan of action.

Once the final decisions are made, and the electronic disability system is successfully implemented, SSA can begin to make the necessary changes to the disability process. The Agency has set January 2006 as the earliest date at which major changes in the disability determination process might become effective. It is important to note this proposal is predicated on successful implementation of SSA’s new electronic disability process and therefore requires that eDib be implemented entirely and running successfully prior to beginning the new approach.

Improve the Hearing Process: SSA has developed the Case Processing and Management System (CPMS) for the Office of Hearings and Appeals (OHA), which replaces the existing Hearing Office Tracking Systems for non-Medicare cases. CPMS will benefit the public by providing OHA with a more efficient and effective case processing system. Now fully implemented, CPMS will improve development tools, case controls, scheduling techniques, and management of information, all of which will expedite the hearing process and ultimately, provide disability claimants with faster and higher quality service.

In addition to the process improvements described above, SSA continued to enhance the hearing process through various technologies supporting the electronic file. For example, video conferences are being used to make hearings more accessible to appellants and their representatives. Hearing rooms are being prepared to accommodate new technologies supporting the electronic file, including digital recording.

Increase employment for people with disabilities

Currently, less than 1 percent annually of the 11 million disability beneficiaries work and earn enough to leave the disability rolls temporarily or permanently. SSA is dedicated to significantly increasing the number of Disability Insurance and Supplemental Security Income disability beneficiaries who achieve employment by ensuring that disabled individuals who return to work have the opportunity to learn and develop skills, engage in productive work, make choices about their daily lives and fully participate in community life.

SSA’s success in this area will increase the number of people with disabilities who are working and making an important contribution to the American economy through their talents and earnings.

The following is a discussion of SSA’s strategies and activities to address employment for people with disabilities. These initiatives also address the Major Management Challenge, “Improve programs that provide support for individuals with disabilities,” as designated by the Government Accountability Office (GAO) and also the concerns GAO raised when Federal disability programs were added to their High Risk list. SSA’s strategies for increasing employment for people with disabilities directly support the President’s New Freedom Initiative. These strategies include:

Implement/Promote Ticket-to-Work: A cornerstone of SSA’s efforts to increase employment opportunities for people with disabilities is the Ticket-to-Work Program, designed to increase beneficiary choice in obtaining

rehabilitation and vocational services to help them work and reach their employment goals. The program's first two phases were implemented in FY 2002 and FY 2003 with approximately 5.5 million tickets distributed to eligible beneficiaries in 33 States and the District of Columbia. The final phase of the program began in November 2003 and concluded in September 2004, with approximately four million tickets being distributed to eligible beneficiaries in the remaining 17 States and U.S. Territories. Beyond this third phase, SSA will concentrate on marketing and outreach activities to increase participation in the Ticket-to-Work program.

SSA is aggressively pursuing changes to the regulations published in December 2001 to expand beneficiary eligibility to receive tickets under this program; to clarify the rules for assignment of a beneficiary ticket to a State vocational rehabilitation agency; and to revise the rules for payment when a beneficiary receives services from both a State vocational rehabilitation agency and an employment network. The Work Opportunity Initiative regulations were submitted, for review, to the Office of Management and Budget (OMB) in October 2004.

Full implementation of Ticket to Work and Work Incentives Improvement Act also involves two complementary programs:

- **The Community-based Benefits Planning, Assistance and Outreach (BPAO) program:** BPAO projects provide work incentives planning and assistance to SSA's beneficiaries with disabilities; conduct outreach efforts to those beneficiaries potentially eligible to participate in Federal and State work incentive programs; and work in cooperation with Federal, State and private agencies and nonprofit organizations serving beneficiaries with disabilities. SSA has awarded 114 cooperative agreements to BPAO projects in all 50 States, the District of Columbia and the U.S. Territories. These awards are funded in three cycles with all projects successfully completing their fourth year of operation. In addition, the Social Security Protection Act (Public Law 108-203) recently reauthorized and extended the BPAO program through FY 2009.

BPAO projects have provided work incentive planning and assistance to over 120,000 beneficiaries. A recent nationwide survey indicates beneficiaries have a very positive view of the BPAO Program, giving the program an overall satisfaction rating of 89 percent. In addition, Benefit Specialists received high ratings for their quality of service in counseling beneficiaries. Prior to receipt of benefit counseling, 28 percent of beneficiaries indicated they were working. The percentage of beneficiaries who received counseling and reported working subsequent to their contact with the BPAO has increased by 19 percentage points to 47 percent.

- **The Protection and Advocacy for Beneficiaries of Social Security (PABSS) program:** Each PABSS project provides a broad range of advocacy related services to beneficiaries with disabilities. These include providing information and advice about obtaining vocational rehabilitation and other related employment services, and advocacy or other services that a disabled beneficiary may need to secure, maintain, or regain employment. Fifty-seven PABSS grants were initially awarded in all 50 States, the District of Columbia, and the U.S. Territories in FY 2001, and have been successfully renewed annually through FY 2004. SSA continues to monitor the progress and finances of these projects and oversees ongoing training of PABSS counselors. The Social Security Protection Act (Public Law 108-203) also reauthorized and extended the PABSS program through FY 2009.

An average of 10,000 beneficiaries per year receives direct services from grantees with a large majority of the cases resolved in their clients' favor. In addition, project staffs are engaged in the education and training of beneficiaries, their representatives and/or family members, community groups, disability organizations, and supporting professionals. PABSS agencies helped people acquire knowledge of work incentives and available employment supports through conferences, seminars, publications, websites, and public service announcements on television and radio.

SSA has numerous promotional activities underway to increase participation in the Ticket-to-Work Program through (1) encouraging current and prospective Employment Networks to assist disability beneficiaries in finding and holding jobs, (2) conducting outreach and marketing activities to educate the public about programs and services that facilitate entry into the workforce, and (3) partnering with other public and private groups to remove employment barriers for people with disabilities. Four specific activities are discussed below:

- SSA program managers have marketed the Ticket-to-Work Program to Employment Networks since April 2001 in all States as the three phases of the program were implemented. Since that time, the program manager has held 91 Employment Network recruitment fairs in all 50 States, the District of Columbia, and Puerto Rico, and has given Employment Network marketing presentations at approximately 270 other events by invitation. Through face-to-face presentations and contacts by mail, telephone, and the Internet, the Employment Network marketing campaign has reached approximately 50,000 different organizations and 100,000 individuals through 500,000 distinct contacts. To date this marketing effort has yielded in excess of 1,300 Employment Network proposals. Because of its success, plans are to extend this marketing strategy in FY 2005 and FY 2006.
- SSA contracted with a professional marketing firm to develop a strategic marketing plan, created marketing materials to support the Ticket-to-Work Program and conducted market testing of these materials in several sites. Target audiences include Disability Insurance and Supplemental Security Income disability beneficiaries, service providers, and employers. In FY 2005, SSA will use the results from the market testing to develop a strategy for a nationwide marketing campaign.
- In 2004, SSA is planning a two-phase project to mail follow-up communications to approximately 850,000 beneficiaries who had not used their tickets. The objective is to determine what messages and types of materials generate the most beneficiary interest in the Ticket-to-Work Program. The first phase of the mailing, scheduled for the fall of 2004, will target beneficiaries located in the five areas with the heaviest concentration of Ticket holders and Employment Networks. The second phase, which will follow the first by 3-4 months, is another mailing to targeted beneficiaries with reported earnings during the last 12 months and those who have requested "Tickets on Demand."
- Through a series of interagency agreements which began in 2001, SSA is partnering with the Department of Labor's (DOL) Office of Disability Employment Policy (ODEP) to provide "Ticket to Hire," a specialized unit of ODEP's Employer Assistance Referral Network (EARN) that matches employers' job openings with qualified, job-ready candidates from the Ticket-to-Work Program. This is a free, one-stop disability-related employment resource for employers, which is delivered through e-mail, a toll-free number, a website and newsletters. Plans are underway to launch an enhanced strategic marketing campaign for EARN/Ticket to Hire in the fall of 2004.

Implement Work Incentives and Work Support Services: One of SSA's first work incentive programs was the Plan of Achieving Self-Support. Under this plan income and/or resources could be set aside for a specified work goal. Any funds that were set aside would not be counted as income in determining the monthly Supplemental Security Income amount. A special cadre of SSA employees was established to assist beneficiaries in establishing plans for self-support. In 2003, SSA established 58 experts within the Agency's regions through a new position called the Area Work Incentives Coordinator (AWIC). The role of the AWIC is to help process work-related disability claim actions, and to answer questions about and promote the use of the Ticket Program and other employment supports for people with disabilities. The Agency will maintain the current number of AWICs in order to support its ongoing work incentive activities.

In addition to AWICs, SSA has involved the Agency's Regional Office Ticket-to-Work Coordinators, Work Incentives Liaisons, the Plan for Achieving Self-Support Cadre and Public Affairs Specialists with promoting awareness and understanding of the Ticket Program and other employment support provisions.

Implementation of Disability Demonstrations: SSA is testing innovative ways to improve the disability program with a particular focus on increasing opportunities for people with disabilities to return to work. The demonstration projects under development will determine which supports and interventions are the most cost-effective means of removing barriers to employment and increasing the number of people with disabilities who actively participate in the workforce. In FY 2004 the Agency implemented the following initiatives:

- **Disability Program Navigator (Navigator):** The Navigator project is funded jointly with the Department of Labor. Navigators are specialists who are resource persons and advocates for individuals with disabilities who seek training and employment opportunities. The first Navigators were hired, trained, and on the job in

November 2003 at Labor's One-Stop Career Centers in 14 States. The One-Stop Career Center is the organizing vehicle for transforming a fragmented array of employment and training programs into an integrated service delivery system for job-seekers and employers. In addition to the 100 Navigators hired and in place, SSA and Labor awarded funds in 2004 for approximately 70 more Navigators distributed among the original 14 States and adding 3 States to the program.

- **Youth Transition Process Demonstration:** This demonstration assesses ways to facilitate the transition of youth with disabilities from school to independence as adults. Six States were awarded seven projects in September 2003. Projects began enrolling students in the summer of 2004 and will continue to provide services through 2009.
- **Florida Freedom Initiative:** The Florida Freedom Initiative is a statewide demonstration being conducted by the Florida Department of Children and Families with a grant from the Centers for Medicare and Medicaid Services. It focuses on individuals with developmental disabilities and its goals are to improve the delivery of long-term care services and to promote self-sufficiency. SSA has modified certain Supplemental Security Income (SSI) program rules to enable SSI beneficiaries to participate and to test whether the modified rules promote work and accumulation of assets, particularly through the use of individual development accounts.
- **Homeless Outreach Projects and Evaluation:** In FYs 2003 and 2004, Congress provided SSA with \$16 million in funding to address chronic homelessness. This supports the President's initiative to end chronic homelessness in 10 years. SSA awarded funds in April 2004 to 34 service providers nationwide who currently provide outreach services to the homeless population. The purpose of this assistance to disabled homeless individuals is to improve their quality of life, especially in achieving full community integration, attaining stable housing and promoting recovery and employment. The project began enrolling individuals in September 2004.

SSA is developing additional initiatives to help serve the particular types of beneficiaries discussed below, as well as to tailor support for their specific needs.

- **Mental Health Treatment Study:** This study will test health care and job seeking behaviors of Disability Insurance (DI) beneficiaries who have a mental impairment as their primary diagnosis. SSA will test whether access to the necessary outpatient mental health disorder treatments (pharmaceutical and psychotherapeutic) and/or vocational rehabilitation has an affect on their ability to return to work.
- **Early Intervention Project:** Planned to start in early 2005, this project will examine the effect of providing employment services to DI applicants based on their work behavior, their dependency on DI benefits, and the resulting affect on the DI Trust Fund. The project will offer interventions to a sample of DI applicants with impairments that may reasonably be presumed to be disabling and who are likely to engage in substantial gainful activity as a result of the program. The interventions will include access to a wide range of necessary employment services, a one-year cash stipend equal to the applicant's estimated DI disability benefit and Medicare for three years.
- **Benefit Offset Demonstration:** This demonstration will allow SSA to test the effect and cost of a sliding-scale benefit offset for DI beneficiaries. Under this test, disability benefits would be reduced by \$1 for every \$2 a DI beneficiary earns above a given threshold, e.g., the level of "Substantial Gainful Activity (SGA)." For example, in calendar year 2004, the SGA amount was \$810 per month for non-blind individuals and \$1,350 for blind individuals. Under the current benefit rules, a beneficiary will lose the entire DI benefit after completing a trial work period and extended period of eligibility. This potential loss of benefits, and eventually the corresponding access to Medicare benefits, may keep many beneficiaries from attempting to work. The Benefit Offset initiative will enable more beneficiaries to return to the workforce.
- **Temporary Allowance Demonstration:** This demonstration will allow SSA to provide immediate cash and medical benefits for 12 to 24 months to applicants who are likely to benefit from aggressive medical care that would enable them to return to work.

- **Interim Medical Benefits Project:** This project will provide medical benefits to applicants with no medical insurance (no treating “source” evidence) whose medical condition would likely improve with treatment. This will facilitate the development of the necessary documentation for disability adjudication while providing the applicant needed services.
- **Ongoing Medical Benefits Project:** This project will test the effects of providing ongoing health insurance coverage to beneficiaries who wish to work, but have no other affordable access to health insurance.

Improve service through technology

Advances in information technology are essential to meeting the Agency productivity challenges ahead. The Social Security Advisory Board has noted that the combination of dramatic workload growth and SSA’s employee retirement wave “will place extraordinary pressures on the Agency to meet the public’s need for service.” In the face of these challenges, technology is essential to achieving efficiency and enabling employees to deliver the kind of service that every claimant, beneficiary and citizen needs and deserves.

Improving SSA service through technology will:

- Provide the public with easy and efficient access to SSA services without leaving their home or workplace, ultimately saving time and resources; and
- Improve Agency productivity and, thereby, improve service and preserve trust fund and general revenue monies.

This objective supports the President’s Management Agenda (PMA) Electronic Government (E-Government) initiative and is responsive to the Office of the Inspector General (OIG) Major Management Challenge “Electronic Government/Service Delivery,” the Government Accountability Office (GAO) Major Management Challenge “Better Position SSA for Future Service Delivery Challenges,” and Social Security Advisory Board recommendations. SSA’s vision is to provide, within the next 5 years, cost-effective E-Government services to citizens, businesses and other government agencies that will give them the ability to easily and securely transact most of their business with the Agency electronically.

SSA’s most critical strategies to improve service through technology include eliminating operational backlogs, expanding electronic service delivery, and increasing electronic initiatives. SSA continues to review the strategy for delivering new Internet services. In FY 2004, the Agency continued to improve and increase the use of transactional services, including online benefit applications and verifications, modifying address and direct deposit information, as well as replacing Medicare cards.

Specific strategies for improving service through technology include:

E-Government to Citizens: In moving to the Internet environment, SSA’s focus is to deliver high quality, citizen-centered service by providing informational material online. The Internet has proven to be an effective means for timely and efficient distribution of information. Accomplishments to date:

- **Social Security Online**, the official Social Security website was redesigned in 2003, improving accessibility, usability and branding. The website attracts over 30 million visitors a year, decreasing demands for direct service by SSA 800-number and field office staff.
 - In January 2004, SSA received Microsoft Corporation’s Government Solutions Award. In part, the award reads, “Awarded to the government solution which best demonstrates as effective use of Information Technology in helping government perform (its) mission more effectively or provide superior service to the citizens.”

- In September 2004, the latest report by the American Customer Satisfaction Index (ACSI) was released. Federal agencies use the ACSI to measure citizen satisfaction of services and programs. The Index is produced by a partnership of the University of Michigan Business School, American Society of Quality and CFI Group, an international consulting firm. The latest report contained evaluations of three Agency websites: SSA's main website; SSA's FAQ website; and SSA's Retirement Planner website. All three websites received scores above the government average of 71.2.
- **Frequently Asked Questions (FAQ)**, a cornerstone feature of the website, provides answers to over 18 million client inquiries each year.
- **E-Mail Inquiries**, a service provided to clients who have used the FAQ and did not find an answer. In FY 2004, SSA responded to over 428,500 inquiries by e-mail, providing another direct service option in addition to the 800-number and field office services.
- **Field Office Locator**, is an application on the Agency website, www.socialsecurity.gov, that provides instant client access to the location of every SSA field office by zip code. The street address, telephone number and directions to the office (including a map) are provided through this service. Listings of local social service agencies also are made available.

Expanded electronic service delivery is critical to the ambitious goal of keeping up with growing core workloads. To meet increasing public demands, SSA has aggressively pursued a portfolio of services that enable online transactions and increase opportunities for the public to conduct SSA business electronically in a private and secure environment. Accomplishments in this area include:

- **Internet Social Security Benefit Application (ISBA)** enables the public to apply for Social Security retirement, spouse and disability benefits online. In FY 2004, approximately 199,400 clients submitted applications for Social Security benefits online. Recently, the Adult Disability and Work History Report, the Childhood Disability Report, the e-Medical Evidence of Record, and the Appeals Disability Report were added to expand the online disability claims process.
- **An electronic "signature proxy"** process is now being used by claimants who file online, by phone or in person. Signature proxy removes the requirement for a signature on benefit applications and continues the Agency's progress to a totally electronic environment. Reaction from Agency field offices and the public about signature proxy has been very positive. Since its implementation on June 21, 2004, SSA has experienced a significant reduction in the number of Retirement and Survivors Insurance folders created. In August, there was a 64 percent decrease in the number of folders received in the processing centers- as compared to May of this year.
- **Services for current beneficiaries** include changing addresses and direct deposit information, replacing Medicare cards, and issuing proof of income letters and replacement 1099 forms. Cumulatively, these online services handled over 382,827 transactions in FY 2004, a 279 percent increase over FY 2002.
- **Services for website visitors**, which include the Benefits Planners, Online Social Security Statement Request and the Benefit Eligibility Screening Tools, served over 4.2 million website visitors in 2003. In December 2003, the authentication rules for Replacement 1099, Replacement Medicare Card and the Proof of Income Letter were modified so that more users are successful at completing these transactions. In January 2004, the new Knowledge-Based Change of Address application was implemented allowing more users to conduct business online.
- **e-News Electronic Newsletter** is an online monthly newsletter that informs the public about the latest Social Security developments. In FY 2004, it provided information to more than 304,021 subscribers, an increase of 43,279 since FY 2003.

- **Password Services** allows beneficiaries to register, change or request a new password. This service gives Title II beneficiaries the capability to change address and phone number, check the status of their benefits and change direct deposit data. In December 2003, password services were expanded to allow most Title II beneficiaries to request a password with over 286,765 passwords registered in FY 2004. While continuing to add services, SSA is focusing more on increasing the public's use of these transactional services. For this reason, SSA plans enhancements promoting ease of use. For the public, this will mean greater access and convenience. For SSA, this translates into more efficient and effective public service.

E-Government to Government: The Agency's initiatives improved not only SSA services, but also government-wide services. By establishing partnerships with other agencies and organizations, SSA has been able to share best practices and find common solutions to problems. SSA continues to research and test emerging technology to help determine their usefulness to the E-Government initiative. SSA participates in 19 of the 24 Presidential E-Government Initiatives and has the lead responsibility for one of these, e-Vital.

The e-Vital initiative seeks to automate and streamline the current paper-bound processes used to collect, process, analyze, and disseminate vital records information among government agencies and others that require access to vital records data according to State and Federal laws and regulations.

Government to Government strategies at SSA have traditionally focused primarily on exchanges of data with over 4,000 entities for the purpose of ensuring that benefits programs across government are administered fairly and accurately. Information and data exchange between SSA and other government agencies results in programmatic and administrative savings of over \$2 billion each year.

Examples of successful data exchanges include:

- **“Secondary Payer” match** involves the Internal Revenue Service, SSA and the Centers for Medicare and Medicaid Services (CMS). The three agencies share pertinent data, allowing CMS to identify Medicare beneficiaries who are eligible for private health insurance through the employer of a spouse and allowing CMS to recover Medicare payments from the primary carrier. This is a “win-win” situation that provides better health insurance coverage for the beneficiary and lower cost to the government.
- **Veterans Administration Benefit match** allows SSA to check to see if a Supplemental Security Income (SSI) beneficiary is receiving a Veterans pension or compensation since SSI benefits must be reduced for other types of income. It also detects changes to the Veterans benefit and allows early offset to the SSI payment.
- **The SSA/Railroad Retirement Board (RRB) match** allows for automatic exchange of key eligibility information which is pertinent to the other program. This is critical to the efficient processing of claims in both agencies since SSA and RRB benefits must be computed using information from the other program.
- **The Department of Labor and SSA** entered into a memorandum of understanding to exchange data to facilitate data sharing between State Workforce Agencies (SWAs) and SSA. The exchange will permit SSA field office employees to obtain unemployment and wage data online. SWAs will obtain enumeration verification and payment data from SSA. To date, 36 States have expressed interest in exchanging data and, of those, 15 have signed agreements. SSA started exchanging data in September 2004.
- **The Internal Revenue Service (IRS) match** is a computer matching agreement with the IRS in which the Agency receives unearned income information for use in the SSI program. The match saves the SSI program over \$47 million per year.
- **The Help America Vote Act (HAVA)** of 2002 requires SSA to assist the States and designated territories in voter registration by verifying the applicant's name, date of birth, and the last 4 digits of the applicant's Social Security Number.

E-Government to Business: SSA has made significant improvements in its earnings process and service to employers. Current Government to Business strategies include automating the reporting of wages by employers to SSA and the controlled use of Social Security data to verify Social Security numbers presented to employers by new employees. These services are continually being improved and expanded to better serve the business community and to obtain additional efficiencies in SSA operations. Accomplishments to date:

- **SSA placed third** for Business Services Online among the Digital Government Achievement Awards that were announced in October 2004 by the Center for Digital Government. The awards program recognizes outstanding agency and department websites and applications that enhance interactions, transactions and/or services in the area of government to business.
- **Electronic Wage Reporting** simplifies the wage reporting process for businesses by allowing them to submit employee wage reports online. The service also includes the AccuWage tool for businesses that improves reporting accuracy and reduces the volume of error correction and necessary follow-up contacts. In tax year 2002, 53.4 percent of all employee wage items (Forms W-2) were submitted electronically. Through September 2004, 60 percent of all employee wage items have been submitted electronically.
- **W-2 Online** is a service that meets the needs of small businesses by providing online entry and printing of W-2 wage and tax statement forms for distribution to employees. The Internet-based system also sends the wage and tax information to SSA, saving both time and money.
- **SSN Verification Service (SSNVS)** allows employers to verify Social Security number/name matches online. Matches of up to 10 name/number combinations can be performed immediately, while larger batches of combinations are verified and the results electronically delivered to employers the next business day. This service is currently being piloted by 100 employers throughout the country. SSA is evaluating the pilot to determine whether to implement SSNVS nationwide in 2005. Automating this process reduces staff and administrative time constraints for both SSA and employers and improves service timeliness to the business community. The system holds great promise, but SSA is proceeding carefully to ensure that the system is secure, as well as user-friendly.

Opportunities still exist to make improvements in the electronic wage reporting program. Over the next 2 years, SSA will eliminate the use of diskette and tape; and also eliminate paper reporting to increase electronic reporting. SSA plans to accommodate more business via the Internet, improve earnings products and services for employers and employees, and improve the way earnings are established, corrected and adjusted.

Other Service Initiatives:

- **Improve Notices:** This long-term initiative includes the use of technology to improve SSA's notices so that the public can better understand them, reducing the need to contact SSA for further explanations. SSA is:
 - Revising the language and format of its least understandable, most sensitive, high-volume notices, and making them available in Spanish.
 - Consolidating and modernizing notice databases.
 - Increasing automation and eliminating labor intensive manual processes when possible.
- **Title II Redesign:** The goal of the Title II Systems Redesign project is to provide a single system for processing virtually all Old Age, Survivor and Disability Insurance (OASDI) initial claims and client-related postentitlement actions in an online interactive mode. SSA continues to increase the automation rate for OASDI postentitlement workloads that reduce internal hand-offs of work and also reduce follow-up calls from beneficiaries. In June 2004, Title II Release 3 was successfully implemented. This release is the biggest software release that SSA has ever undertaken. The Agency focus will now shift to automating the provisions of the Medicare Prescription Drug Improvement and Modernization Act of 2003.

- **Title XVI Postentitlement Modernization:** The Modernized Supplemental Security Income Claims System provides the infrastructure for processing SSI claims and postentitlement transactions. SSA continues to enhance this system to improve productivity, e.g., reducing internal work hand-offs and multiple contacts with beneficiaries. Some of the specific improvements in FY 2004 included:
 - Further automation of windfall offset.
 - Control of SSI alerts using a database.
 - Address integration between the Modernized Supplemental Security Income Claims System and other SSA systems.
 - Automation of remaining SSI actions not supported by the Modernized Supplemental Security Income Claims System.

Stewardship

Prevent fraudulent and erroneous payments and improve debt management

This objective encompasses SSA’s efforts to ensure that SSA pays the right person the right amount. It includes activities for preventing and detecting payment error, fraud and misuse attributable to non-medical and medical factors of eligibility. Its scope extends beyond error prevention and detection to recovery of overpayments and payment restitution.

Preventing fraudulent/erroneous payments and improving debt management will:

- Ensure that Americans receive the benefits they are due; and
- Assure taxpayers that trust fund money and general revenue funds are spent correctly.

The President’s Management Agenda (PMA) initiative on Improved Financial Management directs agencies to set goals to reduce improper payments¹ for each of their programs. SSA’s own analyses, as well as assessments by the Office of the Inspector General (OIG), the Social Security Advisory Board and the Government Accountability Office (GAO), have identified several major areas susceptible to erroneous or fraudulent payments.

The following is a discussion of these areas and the activities SSA is engaged in to prevent, detect and collect erroneous payments, including the Major Management Challenges: “Continue to Strengthen the Integrity of the SSI Program” (GAO), “Improper Payments” (OIG), “Representative Payee” (OIG), and “Improved Financial Performance” (PMA).

The Agency recognizes that SSA must do more to improve stewardship of all SSA-managed programs, with a focus on improving the more error-prone SSI program. In FY 2004, SSA targeted initiatives that have the most potential to improve the integrity of the Agency’s programs across three fronts: prevention of improper payments, detection of improper payments, and collection of debt.

¹ The Agency uses the terminology “improper payments” and “erroneous payments” interchangeably. For consistency, the term “improper payments” will be used throughout the document except when referencing the strategic objective to “prevent fraudulent and erroneous payments and improve debt management.”

Some of these initiatives are discussed in greater detail as follows:

Prevention and Detection Activities:

- **Continuing Disability Review (CDR):** CDRs help ensure the integrity of the disability program through which SSA determines whether beneficiaries will continue to be entitled to benefits based on their medical conditions (medical improvement sufficient to return to gainful employment) or their work and earnings. The Agency has made tremendous progress in its efforts to improve the CDR profiling process and procedures. Profiles permit the Agency to target cases for intensive review only where medical improvement is much more likely. Those with severe impairments can be processed with a limited contact that only investigates if there has been a change in their condition or work activity. Currently, several feasibility studies are underway to build on the current process and increase efficiency without sacrificing effectiveness. One example is studying a mailer process for SSI cases that could be implemented in FY 2005. If the studies are productive, SSA plans to implement related projects in FY 2005. Additionally, there are several other initiatives underway, including a Failure to Cooperate Pilot.
- **Work Continuing Disability Review:** SSA is developing the e-Work system as a means of controlling and processing "work" CDRs. Work CDRs are used to develop and evaluate the worth of the beneficiary's earnings to determine if disability continues or ceases. This system will replace a manual, labor-intensive process, thereby allowing SSA employees to process "work" CDRs more efficiently, timely and accurately. The e-Work system will also provide a mechanism to collect reports of earnings from Supplemental Security Income (SSI) recipients and issue receipts of such reports to both Disability Insurance (DI) "work" CDR beneficiaries and SSI recipients. The e-Work application will provide improved management information and tighter controls on the "work" CDR process. Additionally, the e-Work system will allow for improved coordination between field offices, enabling earnings information to be recorded at the point of contact, thereby reducing the occurrence of overpayments. The e-Work application went live in 107 test offices across the country on January 20, 2004 and is expected to be implemented nationwide in FY 2005.
- **SSI Non-Disability Redeterminations:** The most powerful tool SSA has to detect and prevent SSI overpayments is the SSI redetermination. Redeterminations, required by law, are periodic reviews of non-medical factors of SSI eligibility. In FY 2003, almost 40 percent of the SSI recipients had their eligibility reviewed at some point during the year. The estimated benefits from the FY 2003 redeterminations, including limited issue cases, will total almost \$2.68 billion in overpayments collected or prevented and almost \$1.53 billion in underpayments paid or prevented. (Limited issue cases are redeterminations that are limited in scope and do not require a full review of eligibility. For example, a discrepancy is identified by a computer match. Once the discrepancy is resolved, the limited issue case is cleared.) In FY 2004, over 2.2 million periodic redeterminations were processed.
- **Computer Matching Activities:** SSA has an extensive computer matching program to ensure accurate payments. Computer matches include online wage data matches against data on nursing home admissions, prisoners, the Department of Homeland Security data on individuals who have been deported or voluntarily left the country, fugitive felon information from law enforcement entities, and information from the Office of Child Support Enforcement on recent employment, i.e., new hires.
- **Wages and Bank Accounts as a Source of Payment Errors:** SSA is addressing the two highest sources of payment errors, which are unreported resources and wages. For the purposes of the SSI program, SSA has published final regulations on performing bank account verifications and also conducted a project to test the feasibility of electronic verification of bank accounts. Based upon the proof-of-concept evaluation report completed in September 2004, SSA's executives have decided to dedicate future systems resources to expanding the automated bank account verification system nationwide. SSA is also finishing an analysis of the effectiveness of monthly wage reporting via touch-tone and/or voice recognition telephone reporting. In FY 2005, SSA will make a decision on expanding the project nationwide and developing supporting systems changes.

- **Potential Residency Violations:** SSA has tested the feasibility and effectiveness of a new process to detect potential residency violations by examining 6,000 images of SSI checks looking for those that were endorsed by financial institutions outside the U.S. The Agency will follow up with a study of withdrawal records from automated teller machines in foreign countries for SSI beneficiaries receiving their benefits by direct deposit.
- **Electronic Death Registration (EDR):** SSA continues to support EDR as a priority. A successful rollout is dependent upon funding and State readiness. The Online Verification System for death reports went into production in February 2003. System changes to permit immediate termination of benefits of deceased beneficiaries were implemented in April 2004. Additional enhancements were completed in July 2004. There are contracts in place for EDR in 15 States and 2 cities (New York City and Washington D.C.). By the end of FY 2004 EDR had been implemented in New Hampshire, South Dakota, Minnesota and Montana. The Agency will continue the nationwide expansion of EDR by awarding as many States as funding allows in FYs 2005 and 2006. SSA also plans to submit legislation to amend the Social Security Act. The proposed amendment would allow the Agency to fund initiatives, such as EDR, that have a favorable benefit-cost ratio with regard to program and administrative savings.
- **Cooperative Disability Investigations (CDI):** The CDI program, which began in 1998, represents one of SSA's most successful anti-fraud initiatives and plays a vital role within SSA's disability programs. The CDI program is a joint effort by the Office of the Inspector General (OIG), Disability Determination Services (DDS), and SSA to improve stewardship responsibilities in the Social Security disability program, with a zero tolerance for fraud and abuse. The CDI units are made up of an OIG team leader and staff from SSA field offices, DDSs and local law enforcement agencies. CDI units investigate initial disability claims and postentitlement events referred by a disability determination services office or field office for fraud/similar fault development. Based on these investigations, SSA is able to:
 - Prevent claimants that are not disabled from receiving disability benefits erroneously.
 - Cease benefits for recipients who have disguised/falsified medical improvement or work activity.
 - Reopen cases and remove claimants who never should have received disability benefits.

There are currently 18 CDI units in 17 States. Each SSA region has at least one CDI unit. Overall productivity and program savings from the CDI units continue to increase every year. In FY 1998, when the program began, it accounted for \$2.8 million in savings for SSA. In FY 2004 (through August), CDI units project over \$122.2 million in program savings with an annual budget of only \$6 million. Cumulatively, through July 2004, SSA program savings will exceed \$399 million, with an additional \$266 million in projected cumulative savings for non-SSA programs.

Due to budget constraints, this year the Agency will not be able to expand the number of CDI units. However, the Agency was able to provide an additional investigator for two of the already successful units operating in Cleveland and St. Louis. The extra staff should allow these units to increase productivity and program savings.

The success of the CDI Program is evident in the cumulative SSA program savings, as well as in the additional savings for non-SSA programs. In addition to tangible program savings, the public's awareness of the CDI Program has an intangible effect, that is, to deter fraud. The CDI Program has been successful in helping to fulfill our stewardship responsibilities for the Social Security disability programs by promoting SSA's policy of zero tolerance for fraud and abuse.

- **Representative Payee:** SSA appoints representative payees for individuals who are incapable of managing or directing the management of their benefits. Based on in-depth Agency analysis and increased congressional, media, OIG and advocate concerns, SSA reexamined representative payee program operations. SSA has made progress on several fronts and continues to work on ways to improve the representative payee program. Some of these initiatives include:

- An expanded monitoring program for periodic site visits of all fee-for-service and certain volume representative payees in an effort to improve their performance as payees and protect beneficiaries from misuse of their benefits.
- A contract with Dunn and Bradstreet to perform credit checks on organizational payees.
- Systems improvements to tighten controls over cases where records show selected payee applicants have been convicted of a felony.

The Social Security Protection Act of 2004 (SSPA) gives SSA additional tools to help carry out responsibilities for program stewardship. The provisions of the SSPA provide for additional monitoring of organizational payees and invoke new sanctions for misuse of benefits. These provisions will help SSA in its efforts to ensure effective oversight of representative payees. SSPA gives SSA the authority to impose civil penalties on representative payees who misuse benefits paid to them on behalf of SSA recipients. A penalty of up to \$5,000 can be imposed for any wrongful conversion of benefits, and the representative payee can be assessed damages up to twice the amount of funds misused. The legislation also provides additional protections for beneficiaries who have representative payees. These protections include:

- Additional onsite reviews of organizational payees.
- Enhanced requirements for qualified organizations approved to collect fees for providing payee services.
- Forfeiture of fees for providing payee services in any months benefits were misused.
- Benefits will be reissued if an organizational payee misuses the benefits.
- Payee will be held liable for any benefits misused and the amount will be considered an overpayment to the payee and subject to recovery procedures (unless the payee is a federal, state or local government agency).

Recovery of Overpayments: SSA continues to use aggressive debt collection tools to recover delinquent benefit overpayments from former beneficiaries. SSA refers delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments. In addition, SSA withholds Supplemental Security Income (SSI) overpayments from the benefits of individuals who become entitled to Old Age, Survivors and Disability Insurance (OASDI) payments and refers debts to credit bureaus. A project under development is the use of Administrative Wage Garnishment as a means to collect debts through a debtor's employer. Anticipated implementation is December 2004.

The Social Security Protection Act of 2004 authorizes Cross-Program Recovery for Benefit Overpayments. This new law allows SSA to increase the recovery of overpayments paid under one program from the benefits paid under another program. It provides for withholding up to 100 percent of any underpayment and 10 percent of ongoing monthly benefits for Social Security beneficiaries. A Notice of Proposed Rulemaking, which would amend Agency regulations to implement SSA's expanded authority to use cross-program recovery to collect overpayments, was published in the Federal Register in August 2004. The final regulation will be published on November 30, 2004.

In addition, SSA's strategy for increasing the recovery of overpayments includes the following initiatives:

- Identifying those SSI debtors whose debts have been determined to be uncollectible and who are now receiving SSI and/or Social Security payments. Once identified, action would be taken to recover as much as 10 percent of the debt each month from ongoing benefit payments. Taking action on these now inactive debts will increase the proportion of debt in a collection arrangement. Initiating withholding from benefits also will result in increased recovery of debts. Since June 2004, \$1.5 million of SSI debt had been detected and \$650,000 in SSI debt had been collected.

- Building a scoring system that prioritizes unresolved debts. This supports actions to bring debt workloads into balance with operational resources and ensures that resources are expended on the debt with the best potential for recovery.
- Piloting an automated monthly wage-reporting method for workers at risk for wage-related overpayments, using voice recognition/touch tone telephone technology. The Agency will evaluate the results of the pilot and will make a decision on proceeding with national implementation.
- Providing SSA operating components with a tool that organizes debt information more efficiently for individual case processing and better workload management. This tool, named "OP-WIZ," is now in use in field offices and Program Service Centers.

Strengthen the integrity of the Social Security Number (SSN)

The original purpose of the SSN was to enable SSA to keep an accurate record of earnings covered under Social Security and to pay benefits based on those earnings. 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 fraud.

Most instances of identity fraud result not from any action or failure to act by SSA, but from the proliferation of personal information in society. Many Agencies including SSA have a role in combating identity fraud, including the Federal Trade Commission and the Department of Homeland Security. SSA's role in this effort includes activities to prevent and detect SSN fraud, and develop and implement policies in partnership with other government entities to strengthen enumeration and homeland security. One of the actions taken by SSA to accomplish these goals is the Enumeration-at-Entry program. This is a process designed to issue SSN cards based on data collected as part of the immigration process. SSA is planning enhancements to verification systems, including the Systematic Alien Verification for Entitlement, requiring mandatory interviews for all SSN applicants age 12 or older, and expanding its pilot online SSN verification for employers.

Strengthening the integrity of the SSN will:

- Ensure that SSNs are assigned appropriately.
- Support efforts to increase domestic safety and the security of the Nation's borders.
- Protect Americans from incidents of identity fraud.

The following is a discussion of SSA's activities to strengthen the integrity of the SSN and address SSA's Office of the Inspector General (OIG) identified Major Management Challenge with respect to "Social Security Number Integrity and Protection."

In FY 2004 SSA's strategies to improve the enumeration process included the following:

Revising the Social Security Card: To protect the integrity of the SSN and curb its use for identity theft purposes, SSA is developing fact sheets and posters encouraging people to keep their Social Security card in a safe place and not carry it with them. During 2004, a variety of changes to the card size and formatting, which had been presented to focus groups for public input, were considered. SSA made changes to security enhancements and included a warning to keep the card in a safe place. Minimally revised cards are now in use.

Decreasing reliance on applicant submitted evidence: Enumeration at entry is a process designed to issue SSN cards based on data collected as part of the immigration process. It prevents fraud and ensures the integrity of the SSN because SSA receives enumeration information directly from the Department of Homeland Security's United States Citizenship and Immigration Services (USCIS). In October 2002, the Department of State (DOS) began collecting enumeration information from adult applicants applying for admission into the U.S. as permanent residents, and started sending the enumeration data to USCIS. Upon admission to the United States, USCIS

electronically sends the enumeration data directly to SSA. In FY 2004, SSA, DOS, and USCIS worked together to initiate expansion to other groups of aliens. In FY 2004 and continuing into FYs 2005 and 2006, SSA will be working with DOS and USCIS to initiate expansion of Enumeration at Entry to certain non-immigrants whose visas are generated by petitions from employers and to non-immigrants in the U.S. who are getting employment authorization documents.

Tightening other evidentiary requirements: In addition to requiring mandatory interviews for all SSN applicants age 12 or older and evidence of identity for applicants regardless of age, SSA also made regulatory changes on the evidence required by SSN applicants who are “F1” students (i.e., aliens admitted to the United States to pursue education).

Enhancing Verification processes: In FY 2003, SSA conducted a comprehensive review which identified the need to significantly update the SSN verification systems and processes. As a result of that review, SSA is undertaking short-term and long-term initiatives to improve the various verification processes. In FY 2004, SSA began providing death information as part of the verification routine for employers to help prevent the misuse of a deceased individual’s SSN. In FY 2005, SSA will provide more than 500 million SSN verifications while developing improvements to a variety of systems and processes. Systems changes are being phased in to provide death and fraud alert information to our various Federal, State and business partners. Each arrangement for verification services must consider the safeguards outlined by the Privacy Act and the SSN user’s right to the information, so that agreements and the business partner’s systems may also need to be modified as changes are made.

Following through on a substantive analysis of SSA’s SSN verification processes, in FY 2005 the Agency will initiate planning and analysis for an automated registration and control process. SSA’s current paper processes for registering and maintaining information about verification users have not kept pace with increased demand or changing technology. The new automated registration and control system will include initial and updated registration, control of users and uses of information, management information reports, and integrity review functions.

In FY 2005, SSA will also conduct planning and analysis for a new verification system that will integrate multiple labor intensive systems into one flexible system. The Agency is planning a system that will be responsive to the needs of specific customers, provide for variations to reflect the information that it is appropriate to disclose, and take advantage of the most current telecommunications technology.

In FY 2004, Operations support staff in Headquarters worked in coordination with the New York Region on enhancements to the NY SS-5 Assistant Program. The enhancements will:

- Serve as the front end input system that will collect all necessary data in mandatory fields and propagate it to the current Modernized Enumeration System.
- Collect data in an intelligent manner as a data driven system.
- Automatically query the Systematic Alien Verification for Entitlements system at the time the application is being entered.
- Generate certain disallowance notices that are not generated in the Modernized Enumeration System.

The enhancements to the SS-5 Assistant Program will ensure that completed SSN applications are in compliance with policy requirements regarding evidence, verification and documentation. SSA expects to implement these enhancements in FY 2005.

Also in FY 2005, the Agency expects to roll out enhancements to the New York Modernized Enumeration System Workload Management System. The enhancements will increase the security of the enumeration process facilitating management review with a certification process.

Increase the accuracy of earnings records

Maintaining the accuracy of earnings records for all working Americans is critical. SSA uses these records to determine whether an individual has earned enough wage credits to be eligible for benefits and the amount that will be paid. Despite high accuracy rates (96.4 percent of earnings are assigned correctly to individual workers' records), the amount of earnings that cannot be assigned to individuals' work records has been growing in recent years and is a major concern for the Agency.

The OIG has designated the integrity of the earnings reporting process as a significant management issue. Over 250 million wage reports are submitted annually by employers. Of those, approximately 10 percent (25 million) initially do not match SSA's records. Using electronic processes SSA is able to match about 64 percent (16 million) of these mismatches. Still, about 9 million names and/or SSNs cannot be matched to an individual record due to an invalid name/SSN combination. SSA maintains the information on these earnings in an "earnings suspense file" for potential future reconciliation.

By increasing the accuracy of earnings records, SSA is:

- Ensuring that Americans receive the full Social Security benefits to which they are entitled.
- Protecting the trust funds by ensuring that benefits are being paid accurately.
- Increasing the public's confidence in the reliability of the Social Security system.

The following is a discussion of the activities SSA is engaged in to increase the accuracy of the Agency's earnings records and address the OIG identified Major Management Challenge, "Social Security Number Integrity and Protection."

To augment existing strategies to increase the accuracy of earnings records, SSA has launched an earnings improvement effort that includes:

- Increasing the use of electronic filing by employers, especially increasing Form W-2 (Wage and Tax Statement) and W-2C Online Internet filing by small employers.
- Providing online filing status and error information.
- Expanding the employer education campaign pilot to encourage greater use of SSN verification services that allow more employers to verify online a valid name/SSN combination.

Employer education campaign: SSA educates employers about electronic reporting through promotional materials, payroll and employer focused conferences, articles for trade publications, and direct contact with employers. SSA will continue to make on-site visits with large payroll service providers and other companies, encouraging them to report electronically. SSA maintains a comprehensive website to support its education programs for employers and the business community: www.socialsecurity.gov/employer.

SSA has undertaken an educational campaign to inform the wage reporting community of error detection tools available to them prior to submitting entire wage reports to SSA. SSA is piloting the use of the Internet to allow employers to verify names and Social Security numbers. The Agency is sending notices to employers who reported more than ten employee name/SSN discrepancies on the Form W-2 and these discrepancies exceeded 0.5 percent of the total number of W-2s that the employer submitted to SSA for Tax Year 2003. These notices request the employer to provide corrected information to the Agency within 60 days. Additionally, SSA will continue to send

out annual Social Security Statements to all individuals age 25 and over so that they can review their earnings history for completeness and accuracy.

SSA is currently gathering and analyzing baseline information concerning the affect of these initiatives on the accuracy and growth of the earnings suspense file. Based on this analysis, SSA will continue to examine its key outcomes and strengthen its performance measures accordingly.

Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

Recognizing the importance of good management in the efficient and economic delivery of desired results, the President's Management Agenda (PMA) identifies five government-wide initiatives intended to work together as a mutually reinforcing set of management reforms. The Administration uses a scorecard of red (unsatisfactory), yellow (mixed results, i.e., achieved some but not all the criteria), and green (success) to rate agencies on both the progress and status of each initiative. SSA's current ratings are recognized as among the best for major Federal agencies. As of the end of the September 2004 quarter, SSA had received the highest rating by getting to "green" for status in three categories, Budget and Performance Integration, Improved Financial Performance, and Human Capital, with a "yellow" rating for Competitive Sourcing and Electronic Government. SSA is rated "green" in progress for four of the five initiatives.

By July 2004, all Federal agencies were required to submit a "Results" Report to the Office of Management and Budget. SSA's report, "Results at the Social Security Administration: Getting it Done," helped the Agency tell the good news of its improved service to the American people and to the American taxpayer by providing more effective and efficient service. A "Meeting on Main Street" video broadcast was made available to all SSA employees to discuss the contents of the report.

SSA's efforts to "get to green" for successfully implementing the PMA initiatives will:

- Improve the efficiency and productivity of SSA operations, thereby, saving taxpayer and trust fund money for use by future generations.

This objective focuses on the management aspects of administering the Social Security programs. The scope extends beyond fiscal integrity to encompass Agency productivity improvements and the integrity and security of records and information that SSA maintains. The crosscutting nature of these initiatives and priorities affects all of the strategic objectives. This objective encompasses three PMA items that have been identified as Agency priorities: Budget and Performance Integration, Improved Financial Performance, and Competitive Sourcing.

Budget and Performance Integration: As of the June 2004 quarter, SSA achieved "green" for status in this PMA initiative and maintained this status through the September 2004 quarter. SSA has established the relationship between resources and results through the Agency's Service Delivery Budget Plan. This is a multi-year plan detailing the resources required to support core workloads (e.g., processing special workloads; reducing the number of pending disability claims, hearings and appeals, and other operational workloads; improving productivity and fiscal stewardship). The Service Delivery Budget Plan aligns costs and workyears with overarching performance goals in the Agency's Strategic Plan.

SSA is also improving its core budget formulation system, and developing more automated tools that build on the current financial performance and management information systems. It allows the Agency to better project how resource changes affect various workloads, outputs and outcomes. Furthermore, SSA has demonstrated a macro budget formulation model that helps estimate what level of performance to expect at different levels of funding and productivity.

The Agency budget clearly defines performance commitments, both in terms of the public service and program integrity workloads and the outcomes it expects to achieve. SSA's plans and budgeted activities reflect evaluations and feedback from Congress, the Social Security Advisory Board, the Government Accountability Office (GAO), and the Office of the Inspector General (OIG). Accountability is clearly defined for major Agency initiatives and workloads, and productivity and/or process improvements are included. Agency executives meet monthly to review and discuss performance measures. Resource allocation decisions are made based on performance. Furthermore, results from the President's Program Assessment Rating Tool (PART) are integrated into the Agency's decision-making process, and are included in its budget justification materials.

Improved Financial Performance: SSA attained a status score of "green" in this PMA initiative as of the third quarter of FY 2003. As of September 2004, the number of agencies receiving a "green" in status for Improved Financial Performance increased to 6 out of 26. SSA's achievement of "green" in status was the culmination of efforts over more than a decade in implementing sound financial management practices. The Agency has maintained its "green" status by continuing to receive an unqualified opinion on its financial statements with no material weaknesses cited by auditors; having financial systems compliant with Federal law; and having integrated financial and performance management systems which allow the Agency to routinely assess performance and financial information in order for managers to make day-to-day decisions. By maintaining a "green" in status for improved financial performance, SSA continues to demonstrate its commitment to meeting the standards for success for this initiative.

The Agency continues its aggressive efforts to reduce improper payments and collect related debt by increasing cost-effective program integrity initiatives. SSA's Supplemental Security Income (SSI) Corrective Action Plan focuses on:

- Overpayment prevention through electronic access of financial institution records to determine if an applicant owns unreported assets.
- Increased emphasis on debt collection using a new debt collection measurement tool that identifies those portions of the Agency's debt portfolio that are subject to collection agreements and those portions not set up in a repayment agreement.
- Better overpayment detection through online data access which improves the ability to verify documents and claimant allegations.

Competitive Sourcing: As of the June 2004 quarter, SSA achieved "yellow" for status in this President's Management Agenda initiative and maintained this status through the September 2004 quarter. The Office of Management and Budget (OMB) revised its government-wide instructions (Circular A-76) regarding development of competitive sourcing plans. The instructions call for the development of plans to meet the standards for a "yellow" and "green" status on the President's Management Agenda initiative. SSA's "yellow" plan was developed in accordance with these instructions and has been approved by OMB. The Agency's "green" plan was submitted to OMB in September 2004 and is pending approval.

SSA has established a public-private competition process that ensures competitive sourcing is used to improve the efficiency and effectiveness of Agency processes and provide the greatest benefit to the taxpayer. The Agency has established a centralized Office of Competitive Sourcing with contracting, human resource, budget and A-76 (the OMB guidelines that cover the competitive sourcing process) expertise. SSA has developed competitive sourcing procedures, processes, delegations and policies and a communication plan that uses workgroup members, memos and a website to disseminate this information. The Agency uses contractor support with A-76 experience to assist in training and conducting studies. SSA has implemented several steps to ensure that competitions are completed within given timeframes. The steps include:

- The inclusion of pre-planning in the SSA process which results in personnel being adequately trained on the A-76 process.
- Project plans for each study.

- Carefully monitoring milestone dates.

Since 2001, the Agency has competed or converted 125 positions through four competitions and two direct conversions: Systems Software Validation (retained in-house), Headquarters Parking and Badging (awarded to private sector), Dallas Mailroom Express Study (awarded to private sector), Systems Help Desk (retained in-house), Performance Audits (direct conversion) and Magnetic Media Support (direct conversion) allowing the Agency to save money and improve service. There are now 645 positions under study or in the preliminary planning phase. The positions include facilities maintenance, mailroom operations, and data center operations.

The Agency has established tools such as a Help Desk where employees involved with competitive sourcing competitions can call or write to get information on topics related to:

- Competitive sourcing guides and flowcharts.
- Lessons learned.
- Current studies.
- Fair Act Inventory.
- OMB Circular A-76 (revised).
- Competitive sourcing definitions.

Responses to employee inquiries are coordinated with staff from components that have responsibilities related to competitive sourcing such as contracting, labor relations, human resources, general counsel, and components currently or previously involved in competitive sourcing activities. A website with lessons learned, frequently asked questions, a manager's guide, and links to other related web pages was also developed.

Through competitive sourcing, SSA has achieved improvements that make it a more efficient organization and prove the Agency is as efficient as any organization in the private sector.

Management Information Improvements: This area encompasses SSA's efforts to provide timely, useful and reliable data to assist internal and external decisionmakers in effectively managing programs, evaluating performance, and ensuring that performance and financial data are valid and reliable.

Two major initiatives address improvements to the management information systems: Social Security Unified Measurement Systems (SUMS) and Managerial Cost Accountability System (MCAS). These projects are key enablers in monitoring and reporting on Agency progress in achieving its strategic goals and objectives and tracking resources expended.

The objective of the SUMS project is to create a unified measurement system for all SSA operational components that counts and measures all work in a consistent manner, regardless of where the work is processed. It provides the detailed information managers need to monitor service, forecast workloads, and make informed decisions on how best to manage work and resources. This is being accomplished as a series of initiatives over several years. SSA has implemented several management information enhancements through the use of Operational Data Stores, i.e., Agency-wide repositories of related information on categories of work.

- **The Title XVI (SSI) Processing Time project** moves SSA to an official source for processing times and workload counts. The Access to Standard Reports is available via the SUMS MCAS MI Central intranet portal. This allows ad hoc access for local reporting and data analysis. Data from the previous system are available for prior periods to facilitate year-to-year comparisons.

- **The Title II (Old Age, Survivor and Disability Insurance [OASDI]) Transition project** created a new primary source of management information for the OASDI claims process by providing initial claims reports and allowing for ad hoc access for data analysis.
- **The Postentitlement Operational Data Store (PEODS)** provides comprehensive, integrated management information and redetermination/limited issue workload control data. This includes case level information available down to the local office level that supports analysis and effective management information of the SSI program.

MCAS focuses on critical performance and financial information needed by managers and employees. The system assembles and processes a wide variety of information from widely dispersed SSA management, program, workload and financial systems, combining data into a modern managerial accountability system. MCAS will promote performance accountability for the programs that SSA administers.

The SSA Security Plan: The Security Plan, as required by the E-Government Act of 2003, Title 3, Federal Information Security Management Act, documents Agency initiatives to develop, implement and maintain an Agency-wide security program. It is an essential part of ensuring the confidentiality and integrity of data and the availability of SSA's programmatic mainframes. The plan covers security controls in the following major areas that must be continuously in place:

- **Rules of Behavior and Personnel Controls:** Personnel controls include separation of duties, individual accountability, and application of the principle of "least" privileges (i.e., individuals are given only the level of access needed to do their jobs). Controls also include criteria determined by the Office of Personnel Management to identify position-sensitive risk levels for automated information systems.
- **Training:** SSA's three-pronged training program includes basic awareness training for all employees to adequately fulfill their responsibilities, training adaptable for employee-specific needs, and education for employees whose primary responsibility is security.
- **Incident Response Capability:** SSA has long had security-related reporting procedures in place for various incidents. The plan includes the SSA Security Response Team, which was formed to address threats against the Agency's electronic systems and to assist the workforce with handling systems incidents.
- **Risk Management:** SSA's Risk Management Program ensures a continuous review of the automated systems critical to the Agency's mission, i.e., an annual certification and accreditation of these systems. SSA uses a number of approaches to satisfy risk management requirements, including risk analysis, risk management reviews, the consolidated integrity review process and the systems security life cycle process. Security personnel are included and consulted at each stage of systems development.

Continuity of Support: Contingency planning and disaster recovery are designed to minimize the occurrence of situations that can affect the confidentiality and integrity of data and the availability of resources and services to continue essential business operations under all circumstances. To ensure the continuity of essential government services in an emergency situation, a series of Presidential Executive Orders, Presidential Directives and Preparedness Circulars mandate the development of Continuity of Operations Plans for all Federal Agencies.

These directives, including a Homeland Security Presidential Directive passed in December 2003, call for a national level effort to ensure the security of interconnected infrastructures for Federal, public and private entities, and provide for protection plans covering national assets from physical and cyber attacks. SSA established an Agency-wide Critical Federal Infrastructure Protection Workgroup that developed a plan outlining a comprehensive approach for the protection of cyber systems, physical security and for continuity of operations.

Safety/Physical Security: SSA complies with the federally directed higher alert level that has been mandated by the Department of Homeland Security. SSA identifies and rectifies new vulnerabilities and replaces aging equipment when its shelf-life ends. SSA has expanded environmental health and safety programs to ensure all SSA employees work in safe surroundings, and that there are guards on duty at all of SSA's offices whenever they are

open. This initiative also provides for education and resources to prevent accidents and exposures, and to respond appropriately and timely whenever environmental health and safety accidents occur.

Information Technology Infrastructure: All of SSA’s programmatic and administrative workloads and most of SSA’s service delivery channels rely on a complex information technology infrastructure. This initiative provides for upgrading hardware and software, refreshing obsolete technology and improving economies of scale in SSA’s information technology environment. The foundation for this initiative rests on three tenets of operation:

1. Availability – SSA users must have access to SSA information technology infrastructure services during the hours of operation of SSA’s field offices and while telephone service is available to the public. Non-employee access (e.g., data exchange partners, the public, etc.) is required at times approaching 24 hours a day, 7 days a week.
2. Stability – The platforms must be available, without patterns of even brief periods of outage.
3. Maintainability – Information technology hardware and software in widespread, critical production use must be maintained at near-current release levels to ensure continued and quality support services from vendor suppliers.

Reconcile Office of Inspector General (OIG) and Government Accountability Office (GAO)

Recommendations: Through the years, OIG and GAO have audited SSA’s internal processes, performance measures, and responses to Agency challenges. SSA has implemented most of their recommendations and is involved in ongoing discussions with OIG and GAO concerning the recommendations that were not implemented. The Commissioner and Agency leadership are committed to responding to audit recommendations through the development of guidelines for drafting responses to audit recommendations that take into account the significance of the recommendations on service, stewardship, solvency and staff. Working in collaboration with OIG and GAO audit recommendations are clearly defined and goal oriented.

Each fiscal year since FY 2000, new audit recommendations have increased from 205 in FY 2000 to a high of 342 in FY 2002 and 335 in FY 2003. Even with this dramatic increase, the Agency managed to implement or appropriately close the recommendations to a final pending of 185 at the end of FY 2002 and 183 at the end of FY 2003. An ongoing executive emphasis focuses on the implementation of significant recommendations with a special focus on reducing aged recommendations. Through the Commissioner and Agency leadership, SSA has significantly reduced the number of aged recommendations 2 years and older. SSA will continue to focus leadership attention and track progress on audit recommendations until they are implemented or otherwise properly closed.

Solvency

Support reforms to ensure sustainable solvency and more responsive retirement and disability programs through education and research efforts

Today about 3.3 people pay into Social Security for every one person receiving benefits. By 2030, this ratio is expected to decline to about 2.2 to 1. SSA now collects more in taxes than it pays out in benefits. According to the 2004 Trustees Report, Social Security expenditures are expected to exceed tax revenues starting in 2018. If there are no changes in the law, the trust funds are projected to become exhausted in 2042 and the taxes would thereafter be insufficient to cover the full cost of the program.

Ensuring Social Security solvency will ensure economic security for generations to come.

The aging of the American population is having profound, long-term effects on the sustainable solvency of Social Security programs. Both Social Security's Board of Trustees and the Comptroller General of the United States have stated that Social Security is unsustainable over the long term at present tax and benefit levels.

The President, Social Security's Trustees, the Social Security Advisory Board, GAO's Comptroller General and many members of Congress have stated that the sooner reforms begin, the more gradual and less disruptive the changes will need to be. As the debate moves forward on how best to strengthen Social Security for the future, SSA will work to ensure that policymakers and the public have the information needed to assess the implications of all proposals under consideration.

President Bush established a bipartisan Commission in May 2001 to address the long-term future of Social Security and directed that recommendations include individually controlled, voluntary retirement accounts to augment Social Security benefits. The Commission proposed three alternatives, which all included personal savings accounts, as a way to increase investment returns and ensure Social Security programs meet the needs of current and future generations. The Commission also called for a period of debate and discussion to engage the public before Congress and the Administration take action.

New patterns of work and earnings, marriage, divorce, and childbearing are changing the characteristics of families. Individuals are living longer and healthier lives. In about 30 years, there will be twice as many older individuals as there are today and at that time, the working population will have increased by only 10 percent.

SSA must respond to these developments by educating the public on long-term financing issues affecting solvency and providing/serving as a resource for analysis, ensuring the programs meet the needs of today's and tomorrow's beneficiaries.

The strategies for this objective include:

- Undertaking multiple research demonstrations that will provide support, including employment support, to both disability applicants and beneficiaries.
- Continuing to educate the public about long-range financing challenges facing the Trust Funds.
- Providing 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, such as estimating how much a proposal will cost and attempting to determine the effects of a given proposal on specific demographic segments of the population (distributional analysis).

For example, the Agency provided estimates for numerous Congressional and other proposals pertaining to solvency issues, including effects on the unified budget, the trust fund operations, and the cash flow between the trust funds and the general funds of the Treasury. Also, SSA and others have completed distributional analyses on proposals from the President's Commission to Strengthen Social Security, concept papers on issues surrounding personal retirement accounts, a series of papers on administrative aspects of personal retirement accounts. SSA's annual Retirement Research Consortium focused on Securing Retirement Income for Tomorrow's Retirees, and devoted substantial time to Social Security reform issues.

Activities to Educate the Public: In FY 2004, the Agency conducted forums in Idaho and Connecticut to help educate the public that Social Security is unsustainable at current tax rates and benefit levels over the long term. In addition, these forums emphasized that action is needed in the immediate future to explore possible alternatives to strengthen Social Security.

SSA's annual survey of the public's knowledge of Social Security programs and related issues was conducted in September 2004. Results will become available in early FY 2005. The Agency will use the survey findings to:

- Inform and guide Agency outreach and communications activities.

- Establish a baseline of knowledge so that the Agency can develop an appropriate performance measure and goal.
- Gauge the awareness and effectiveness of the Social Security Statement.

SSA's employees at all levels throughout the country continue to communicate with the public at seminars, conferences, and forums about how the programs currently work and the long-range challenges facing the Trust Funds. Efforts to educate the public about expanded products and services available on Social Security's website, such as the Internet Social Security Benefit Applications, the Benefit Planners, Internet Change of Address, and electronic wage reporting have also increased.

Staff

Recruit, develop and retain a high-performing workforce

SSA's 2004 Retirement Wave report states that projected retirements for employees on duty as of October 1, 2003 will reach 21 percent of the Agency's current workforce by 2008. Absent planning and action, the Agency's retirement wave (the effect of the "baby boomer" generation on retirement) will not only affect its ability to deliver service to the public, but will also result in a significant loss of institutional knowledge. SSA will be faced with the continuing challenge of recruiting, hiring, developing and retaining a highly skilled and diverse workforce that can effectively meet mission requirements and changing program priorities.

SSA was early in recognizing the implications of the retirement wave and in taking actions to address it. Ongoing retirement wave analysis and succession planning have led SSA to implement aggressive employee development programs at all levels and redeployment of positions to direct service. The Agency developed its Human Capital Plan to align with the goals in the Agency Strategic Plan. The plan outlines activities supporting strategic alignment, workforce planning, workforce development and knowledge management, performance management and leadership.

As SSA deals with significant workload growth and an increased number of retirements, the Agency will strive to maintain a high-performing workforce and enhance productivity through automation, job enrichment opportunities and training, succession planning, leadership development, new performance management systems, and other service enhancements. SSA's response to the challenges of recruiting, developing and retaining a high-performing workforce is framed by and addresses the President's Management Agenda (PMA) that directs agencies to make government citizen-centered through the strategic management of human capital.

SSA's strategies to recruit, develop and retain a high-performing workforce will allow the Agency to continue to provide the highest quality, timely service to the American public, and result in productivity increases that will save Trust Fund and general revenue monies.

SSA strategies include a wide array of tools and activities. These activities address the PMA Initiative's concerns, as well as the Major Management Challenge: "Human Capital" identified by both SSA's Office of the Inspector General (OIG) and the Government Accountability Office (GAO).

Recruitment and Retention:

- Continue to use and expand personnel hiring flexibilities extensively in strategic areas.
- Continue to emphasize hiring about 10 percent of new hires from outstanding scholars' ranks.

- Maintain SSA's high degree of workforce diversity and continued efforts to eliminate under-representation of specific groups.

Reaching out to Staff:

- Continue to ensure that all employees have electronic access to personnel benefits information and employee services.
- Continually improve the Agency's successful employee suggestion program. Since April 2003, with the culmination of a web-based, fully automated process, employees can submit suggestions online.
- To further employees' ability to serve a diverse public, the Agency sponsored a 2004 Diversity Training Conference. Participants learned from dynamic speakers, participated in innovative workshops and experienced a variety of cultural awareness activities. Commissioner Barnhart conducted a workshop on personal development entitled "Success by Design." The conference also provided valuable information about career planning, professional skills and technological advances.

New Labor Agreement:

- SSA is currently engaged in term negotiations with the American Federation of Government Employees for a new National Agreement covering approximately 51,000 employees throughout SSA. In late FY 2005, SSA will also be negotiating a new term agreement with the National Treasury Employees Union covering approximately 800 employees in the Office of Hearings and Appeals, and in early FY 2006 negotiations will begin with the Association of Administrative Law Judges which covers SSA's approximately 1,100 Administrative Law Judges. SSA is committed to reach agreements in all three negotiations that are beneficial to the dedicated employees of SSA while, at the same time, giving SSA the flexibility it needs to continue to deliver high quality service to the public.

Performance Culture:

- Continue efforts to link employee performance to Agency mission and goals, communicate expectations, encourage excellence, employee development, measure results, make distinctions between levels of performance and reward achievements.
- Continue to foster and develop Agency culture that encourages ongoing interaction and communication on performance.

Strategic Competencies and Knowledge Management:

- Continue developing a strategy for knowledge management, including succession analysis, collection of baseline training data, filling positions before the incumbent leaves, and using understudies for targeted critical positions.
- Continue to identify mission-critical occupations that would benefit from competency-based training.
- Continue to extensively use Interactive Video Teletraining, CD-ROM training, computer-based/Internet training, classroom training, and the Agency's Online University to train and develop employees.

Providing Employees with Better Tools:

- Continue to develop efficient tools, such as decision support software, video conferences and more fully automated case processing systems, to support higher employee productivity.

Performance Goals and Results

In FY 2004, SSA made significant progress toward achieving the long-term goals in the Agency Strategic Plan (ASP) for 2003-2008. The Performance and Accountability Report (PAR) is the Agency's opportunity to describe that progress. The Agency's progress is presented 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.

Performance Management: The Strategic Plan, Annual Performance Plan (APP) and PAR comprise the main elements of SSA's response to the GPRA requirements and support the Agency's budget request. Together, these elements create a recurring cycle of planning, program execution, measurement, and reporting. By forging a strong link between resources and performance, these plans and reports show what is being accomplished, reinforce accountability for the money that is being spent, and demonstrate the effectiveness of programs.

At SSA, Agency officials and staff use these plans and reports as a tool to help manage and administer Social Security's programs. They are also used by the President and Congress when formulating programmatic and policy decisions and for oversight. The public uses these plans and reports to get information about the purpose and effectiveness of SSA's programs and activities.

As the Agency met its day-to-day challenges, it also made considerable progress toward meeting its 5-year goals established in the strategic plan, achieving its strategic performance commitments for FY 2004, and preparing for the projected workload increases and employee retirements that will occur over the next decade.

Performance Measures: During FY 2004, SSA used 45 distinct GPRA performance measures to manage and track Agency progress. These measures were established in SSA's Revised Final FY 2004 APP. The performance measures focus on SSA's most critical challenges and areas in need of improvement. Of the 45 performance measures, 17 were selected as Key Performance Indicators (KPIs). SSA's 17 KPIs were chosen because the Agency believes they best tell the story of its efforts to address the most critical challenges. During FY 2004, SSA met or almost met 81 percent of the performance goals including 76 percent of the KPIs. The assessment category of almost met recognizes results that were very close (i.e., within 95 percent of the goal).

The focus of this section is on the KPIs. They are presented by strategic goal and summaries of each performance measure follow. Each performance measure is introduced by an overview of the goal, results for FY 2004 and prior years, and trend analysis. A list of all of the Agency's performance measures can be found in the "Performance" section of this publication beginning on page 82.

In addition, performance measures for the Office of Management and Budget's (OMB's) Program Assessment Rating Tool (PART) are listed on page 89. SSA was asked to identify performance measures and targets for the Disability Income (DI) and Supplemental Security Income (SSI) Aged programs, the two programs evaluated by SSA and OMB in the spring of 2002 and summer of 2003. While some of the measures and targets identified in PART were GPRA measures, some of the measures and targets are new.

For your reference, electronic versions of the documents discussed can be viewed at the following Internet addresses:

SSA's 2003-2008 Strategic Plan can be found at <http://www.socialsecurity.gov/strategicplan.html>
SSA's FY 2005 APP/Revised Final FY 2004 APP 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

President's Management Agenda (PMA): SSA made significant progress in FY 2004 in support of the PMA in the following areas: Expanded Electronic Government, Competitive Sourcing, Improved Financial Performance, Budget and Performance Integration, and Strategic Management of Human Capital. SSA incorporated the PMA initiatives into its strategies for achieving the Agency's mission and strategic goals. Multi-year plans for achieving the goals of all five PMA initiatives were developed. A detailed discussion of SSA's achievements can be found beginning on page 59.

Program Assessment Rating Tool (PART): The PART is a diagnostic tool used to examine different aspects of program performance to identify the strengths and weaknesses of a given Federal program. OMB selected the DI and SSI Aged programs during its initial assessment period in 2002, and the results were published in the President's FY 2004 Budget. The same two programs were reevaluated in the summer of 2003 and the results were published in the President's FY 2005 Budget. In 2004, OMB combined the SSI Aged, Blind and Disabled programs for the FY 2006 PART assessment and SSA completed an assessment of those programs. The results will be published in the President's FY 2006 Budget. Therefore, by the end of 2004, SSA has evaluated 75 percent of its programs. Refer to page 89 for PART performance measure results.

Financial and Performance Integration: SSA has worked diligently to emphasize the relationship between resources and results. The demonstrated progress in this area includes the Commissioner's multi-year Service Delivery Budget Plan, which provides a context for making decisions on needed improvements in service delivery, fiscal stewardship, and the requisite staffing to accomplish both. This budget plan was developed as a multi-year plan to demonstrate the resources required to keep up with core workloads, process special workloads, eliminate backlogs of disability claims, hearings and appeals, and other operational workloads, and to improve productivity and fiscal stewardship.

The Service Delivery Budget Plan aligns costs and workyears with overarching performance goals in the Agency's Strategic Plan. For example, the initial Service Delivery Budget Plan identified the resources required to eliminate backlogs by the end of FY 2008 and took into account savings for efficiencies that the Agency expects to achieve from process and technology changes. Each year through FY 2008, the Agency was able to show the costs of reducing backlogs or simply keeping up with workloads. Agency accounting and cost analysis systems, which track the fully loaded administrative costs of SSA programs by workload, as well as employee production rates, were invaluable tools in helping develop projections.

SSA is also improving its core budget formulation system, and developing an automated system that will build on the current financial performance and management information systems. It will enable the Agency to better project how resource changes affect various workloads, outputs and outcomes. For instance, in response to a Congressional inquiry, the Agency used unit cost information to show how many fewer disability claims would be processed if the President's FY 2004 budget were not fully funded. Further, SSA has demonstrated a macro budget formulation model which helps to estimate what level of performance to expect at different levels of funding and productivity.

The Agency budget clearly defines performance commitments, both in terms of the public service and program integrity workloads that the Agency will handle and the outcomes it expects to achieve. SSA plans and budgeted activities reflect evaluations and feedback from the Congress, the Social Security Advisory Board, the Government Accountability Office (GAO), and SSA's Office of the Inspector General (OIG). Accountability is clearly defined for major Agency initiatives and workloads, and productivity and/or process improvements are built in. Agency executives meet on a monthly basis to review and discuss performance measures; resource allocation decisions are made based on performance and projected workloads. Furthermore, results from the President's Program Assessment Rating Tool are integrated into the Agency's decision-making process, and are included in budget justification materials.

Major Management Challenges: The Agency also took action to address the Major Management Challenges identified by the GAO and SSA's OIG. The "Agency Challenges" section of this report, which begins on page 14, outlines these major challenges and the steps SSA has taken to address these issues.

Workloads: In FY 2004, as in prior years, the largest use of SSA's administrative resources went to processing its priority workloads. These workloads included:

- Paying benefits to more than 52 million people every month.
- Evaluating evidence, and making determinations of eligibility for benefits on more than 8 million new claims.
- Making decisions on over 1 million hearings and appellate actions.
- Issuing over 17 million new and replacement Social Security cards.
- Processing 252 million earnings items for crediting to workers' earnings records.
- Handling 53 million calls to SSA's 800-number.
- Issuing 140 million Social Security Statements.
- Processing over 1.6 million periodic continuing disability reviews (CDR).
- Processing over 2.2 million non-disability SSI redeterminations to ensure that SSI eligibility is still met.

FY 2004 Performance by Strategic Goal

This section presents a summary discussion of FY 2004 performance for each of SSA's four strategic goals including:

- The contribution of SSA's FY 2004 performance toward achieving Agency strategic goals and long-term key outcomes.
- The Key Performance Indicator (KPI) results and analysis.

Strategic Goal A: To deliver high-quality, citizen-centered Service

SSA's *Service* goal encompasses the Agency's traditional and electronic services to applicants for benefits, beneficiaries and the general public, as well as services to and from States, other agencies, third parties, employers and other organizations, such as financial institutions and medical providers.

This goal supports the delivery of citizen-centered service and the expansion of the E-Government element of the President's Management Agenda (PMA). SSA's aim is to deliver quality service. The attributes of service that define quality include accuracy, productivity, cost, timeliness and service satisfaction.

A discussion of SSA's FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA's Office of the Inspector General (OIG) identified Major Management Challenges for this goal are discussed in more detail beginning on page 17.

Strategic Objective 1: Make the right decision in the disability process as early as possible

SSA's key long-term outcomes are to significantly reduce the time it takes for a disability claimant to receive a final Agency decision and to eliminate pending workloads for disability claims at the initial hearings and appeals levels.

SSA has engaged in a number of efforts to redesign and improve the disability determination process by testing several initiatives over the past several years. SSA carefully reviewed the results of these initiatives to identify the elements that show promise. A discussion of these initiatives can be found beginning on page 17.

1.1 — Key Performance Indicator: *Number of Initial Disability Claims Processed by Disability Determination Services (DDS)*

FY 2004 Goal: 2,485,000

Actual FY 2004 Performance: 2,574,848

SSA met its goal. Timely service to the public in processing disability claims continues to be a key Agency priority. In FY 2004, SSA redirected resources and reprioritized workloads to increase the emphasis on processing initial disability claims. This has allowed SSA to significantly exceed expectations for this goal in FY 2004. Such timely service benefits the public by providing replacement income and medical insurance.

Improving disability program *service* to the public, from initial filing to final administrative appeal, is one of SSA's highest priorities. The current process takes far too long, placing severe burdens on applicants and their families and an enormous drain on Agency resources. Attainment of this goal is also an indicator that enhancements to the disability claims process are allowing the DDSs to process claims more efficiently.

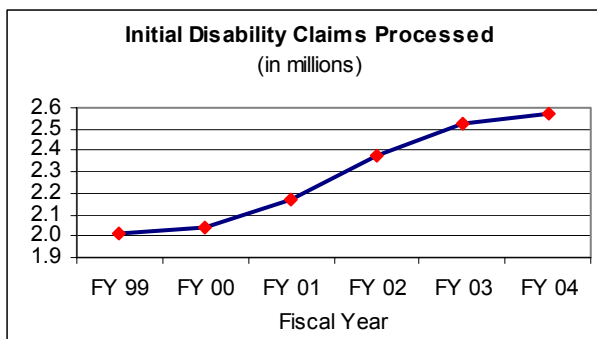
FY 1999: 2,012,047

FY 2000: 2,035,627

FY 2001: 2,166,623

FY 2002: 2,376,572

FY 2003: 2,526,020



Trend: Disability initial claims filings have increased steadily over the last six years. The implementation of eDib will support this goal. The Agency projects that the number of claims processed will also increase, provided that the SSA appropriation is sufficient to meet the public demand for disability claims services.

Data Definition: DDS count of initial disability claims processed, including disabled dependents.

Data Source: National Disability Determination Services System.

1.2 — Key Performance Indicator: Number of SSA Hearings Processed

FY 2004 Goal: 538,000 *

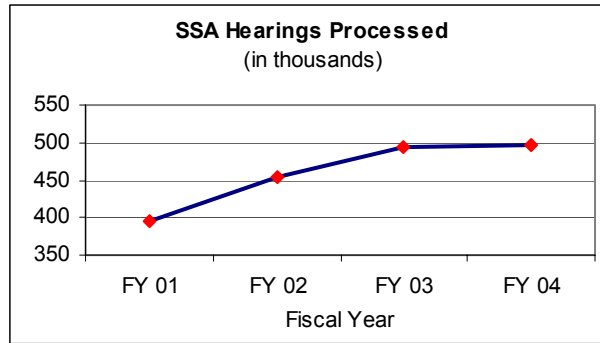
Actual FY 2004 Performance: 497,379

SSA did not meet its goal. Despite record Administrative Law Judge (ALJ) productivity, the goal was not met because SSA had fewer ALJs than in previous years due to a delay in hiring*. However, SSA recently graduated two classes of ALJs and is implementing eDib. SSA has developed the Case Processing and Management System (CPMS) for the Office of Hearings and Appeals (OHA), which replaces the existing Hearing Office Tracking Systems for non-Medicare cases. CPMS will benefit the public by providing OHA with a more efficient and effective case processing system. When fully implemented, it will improve development tools, case controls, scheduling techniques, and management of information, all of which will expedite the hearing process and ultimately, provide disability claimants with faster and higher quality service.

This indicator is one of several that relates to improving disability program *service* to the public, a high Agency priority. Even though SSA had fewer available judges in FY 2004, the number of hearings processed this year exceeded performance in FY 2002 by 42,661 and in FY 2003 by 3,456. OHA will continue to utilize all available resources to increase dispositions. These resources include an array of technologies, including video conferencing, which will make hearings more accessible to appellants and their representatives.

* In 1997, two applicants for ALJ positions filed an appeal with the Merit Systems Protection Board (MSPB). This case, *Azdell v. Office of Personnel Management (OPM)*, challenged the veterans preference formula that OPM was using to score the ALJ examination. In April 1999, the MSPB issued an initial decision finding that the scoring system did violate the Veterans Preference Act. Beginning in April 1999, SSA was no longer able to hire ALJs. This inability continued through various appeals and legal actions until September 2001, when the MSPB allowed SSA to hire 126 new ALJs in FY 2002.

FY 2001: 395,565
FY 2002: 454,718
FY 2003: 493,923



Trend: The number of hearings processed has continued to increase since FY 2001. OHA implemented changes to the hearings process, which began to positively impact the number of dispositions processed. In FYs 2003 and 2004, the overall ALJ productivity rate continued to increase to record levels, which has further contributed to the number of dispositions processed.

Data Definition: Beginning with FY 2001, SSA hearings processed by OHA (excluded Medicare hearings, which had been included in this KPI in prior years. Number of Medicare hearings are no longer reflected in the data, and have been removed from totals for FYs 2001-2003). The performance measure in effect in FYs 1999 and 2000 included all hearings and did not distinguish Medicare hearings from any other hearings.

Data Source: Case Processing and Management System (CPMS). Disability cases are tracked under CPMS while Medicare cases will continue to be tracked under OHA Hearing Office Tracking System.

1.3 — Key Performance Indicator: Average Processing Time for Initial Disability Claims (Days)

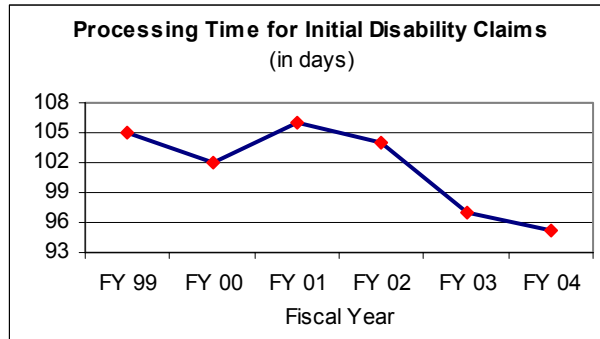
FY 2004 Goal: 97 days

Actual 2004 Performance: 95 days

SSA met its goal. SSA’s emphasis on reducing disability processing time is a key component of its service improvement initiative. Efforts to reduce initial disability claims processing time were aided by additional funding to the Disability Determination Services (DDSs). This increase in resources allowed the DDSs to process a higher than anticipated number of receipts in less time.

This indicator also relates to SSA’s priority to improve disability program *service* to the public. In 2002, SSA announced plans to improve the disability process by moving to an electronic disability claims file. Beginning in 2004, Social Security offices and DDSs throughout the country began implementing various components of the electronic claim process. Attainment of this goal is an indicator that enhancements to the disability claims process are allowing the Agency to process claims more efficiently.

FY 1999: 105 days
FY 2000: 102 days
FY 2001: 106 days
FY 2002: 104 days
FY 2003: 97 days



Trend: The processing time has been improving over the past 2 years in spite of increasing applicant levels. The Agency anticipates processing time to stabilize at current levels and eventually to improve after the national implementation of eDib.

Data Definition: This is the fiscal year average processing time for Title II (Social Security) and Title XVI (Supplemental Security Income) 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 of an award.

Note: The disability determination process is the same for both Title II and Title XVI disability claims.

Data Source: Title II Management Information Initial Claims Record (MIICR) Processing Time; Social Security Unified Measurement System (SUMS).

1.4 — Key Performance Indicator: Average Processing Time for Hearings (Days)

FY 2004 Goal: 377 days

Actual FY 2004 Performance: 391 days

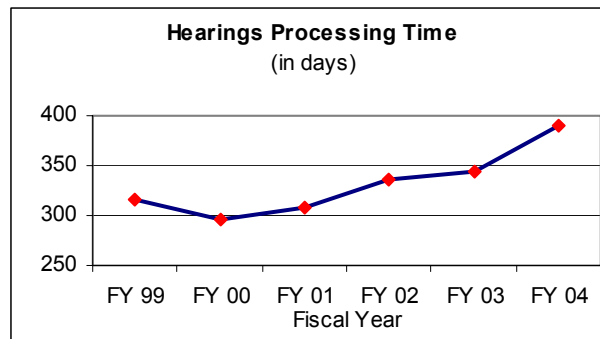
SSA almost met its goal. As more initial disability claims are denied the number of hearings filed increases. The more successful the Agency is in reducing aged cases, the more processing times will increase. Increased processing time is also affected by the growing pending workload resulting from the Azdell litigation,* which severely restricted SSA’s ability to place additional Administrative Law Judges (ALJs) in hearing offices. Additionally, previous projections were predicated on a number of initiatives that did not come to fruition. Initiatives include the Attorney Decision-Maker position which was not implemented and the delay in hiring ALJs. A final factor that contributed to the goal not being met was the training and learning curve issues associated with the implementation of the Case Processing and Management System.

This indicator is another that relates to improving disability program *service* to the public, one of the Agency’s highest priorities. In addition to the eDib initiative, which will streamline the hearings process through technological improvements, SSA is taking other actions to improve processing time. The Office of Hearings and Appeals (OHA) has enhanced its early screening efforts by establishing a centralized screening effort in OHA Headquarters to supplement the Agency’s short-term initiative involving ALJs screening for on-the-record (OTR) decisions. OTR cases are those cases that may be allowed without a hearing if certain criteria are met (age, educational background, medical evidence, and vocational background). OTR decisions can be requested by the

* In 1997, two applicants for ALJ positions filed an appeal with the Merit Systems Protection Board (MSPB). This case, *Azdell v. Office of Personnel Management (OPM)*, challenged the veterans preference formula that OPM was using to score the ALJ examination. In April 1999, the MSPB issued an initial decision finding that the scoring system did violate the Veterans Preference Act. Beginning in April 1999, SSA was no longer able to hire ALJs. This inability continued through various appeals and legal actions until September 2001, when the MSPB allowed SSA to hire 126 new ALJs in FY 2002.

claimant, their representative, or the Senior Attorney who reviews the folder before it is worked. Finally, SSA addressed the pending workload with the addition of support staff resources and 103 ALJs hired in FY 2004.

FY 1999: 316 days
FY 2000: 297 days
FY 2001: 308 days
FY 2002: 336 days
FY 2003: 344 days



Trend: Average processing time will likely continue to increase because of the focus on working down pending and aged cases. Because of the delay in hiring ALJs, and their 9 month learning curve, the full benefit of their productivity will not begin to improve processing time until FY 2006.

Data Definition: Beginning FY 2000, this indicator was redefined to represent the average elapsed time from the hearing request date until the date of the notice of the decision, of all hearings level cases processed during all months of the fiscal year.

Data Source: Case Processing and Management System (CPMS). Disability cases are tracked under CPMS while Medicare cases will continue to be tracked under OHA’s Hearing Office Tracking System.

1.5 — Key Performance Indicator: Number of Initial Disability Claims Pending

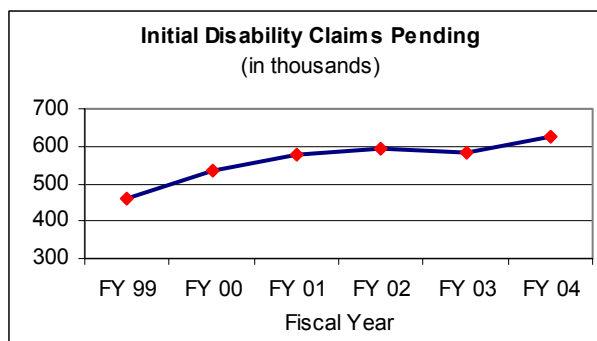
FY 2004 Goal: 582,000

Actual FY 2004 Performance: 624,658

SSA did not meet its goal. In FY 2004, the Disability Determination Services (DDSs) were budgeted to process fewer initial claims than in FY 2003. The number of initial claims exceeded the budgeted amount of 113,000, which had an adverse effect on the pending workload, increasing it by 45,000. Without this increase, the Agency would have met the goal. In addition, high rates of disability examiner attrition and fewer examiners in relationship to the total staff contributed to the goal not being met.

This measure supports SSA’s high priority on improving disability *service* to the public. Specifically, future service improvement is connected to SSA’s eDib initiative which was announced in 2002. The purpose of eDib is to make the disability process more efficient and responsive by reducing delays inherent in mailing, locating and organizing paper folders, with an electronic folder that can be accessed by all case processing components involved in adjudicating and reviewing disability claims. Beginning in 2004, Social Security offices and DDSs throughout the country began implementing various components of the electronic claim process.

FY 1999: 457,823
FY 2000: 535,407
FY 2001: 578,524
FY 2002: 592,692
FY 2003: 581,929



Trend: In FYs 2001- 2003 the DDSs were able to minimize increases or show small decreases in the number of initial claims pending, despite higher than estimated claim receipt levels. These results were due to budget decisions to add funds to the DDSs and reduce the number of Continuing Disability Reviews (CDRs) processed in an effort to control the initial claims workload. In FY 2004, the DDSs were budgeted to process 32,000 fewer initial claims than in FY 2003. The number of initial claims received in FY 2004 was higher than what was received in FY 2003, which caused the pending claims workload to increase. Without appropriate funding, the trend will continue in the short term. As eDib matures, the trend will start to show a reduction in this workload.

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

Data Source: National Disability Determination Services System.

1.6 — Key Performance Indicator: Number of SSA Hearings Pending

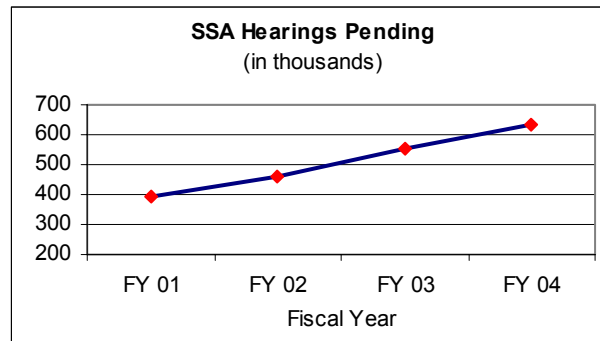
FY 2004 Goal: 586,000

Actual FY 2004 Performance: 635,601

SSA did not meet its goal. There is a direct correlation between the number of initial disability claims filed and the number of hearings requests that are received. As more initial disability claims are denied the number of hearings filed increases. The pending workload was adversely affected by continued high receipt levels while operating with 30 fewer Administrative Law Judges (ALJs) than last year. The decision not to implement the Attorney Decision-Maker position, and the training and learning curve issues associated with the national implementation of the new Case Processing and Management System also contributed to not meeting this goal.

This indicator, like several of the other disability indicators, relates to SSA's priority to improve disability program *service* to the public. Because the current process takes far too long, applicants and their families are subject to unacceptable economic burdens. The Office of Hearings and Appeals (OHA) will continue to utilize all available resources to increase dispositions and reduce the pending workload. In order to make immediate service and efficiency improvements, the Agency is in the process of expanding video teleconference (VTC) hearings and marketing this new technology. With VTC, the claimant would not have to travel a long distance, the hearing could be held sooner, and the result would be a more timely decision. ALJs could be more productive with less time required for travel to remote sites. VTC also facilitates workload transfers and significantly broadens the pool of experts available for testimony at hearings. By the end of FY 2006, SSA plans to have a VTC system in every OHA hearing office and permanent remote site. In FY 2004, 127 VTC systems were installed. Of note is that the overall average processing time for VTC hearings in FY 2004 was 105 days less than those not using this technology.

FY 2001: 392,387
FY 2002: 463,052
FY 2003: 556,369



Trend: From FY 2001 through FY 2003, hearing receipts continued to increase. During this same time, the number of ALJs continued to decline due to the hiring restrictions resulting from the Azdell litigation and attrition. In FY 2002, OHA hired 126 ALJs, but this was not sufficient to make up for ongoing losses. Despite record ALJ productivity in FY 2003, the overall net reduction in ALJs continued to negatively affect OHA’s ability to keep pace with receipts. In FY 2004, 103 ALJs were hired during a year of continued high receipt levels. Despite high productivity, the 5-year trend of receipts outpacing dispositions continued through FY 2004.

Data Definition: Beginning with FY 2001, SSA hearings pending (excludes Medicare hearings pending, which had been included in this KPI in prior years. Number of Medicare hearings pending are no longer reflected in the data, and have been removed from totals for FYs 2001-2003). The performance measure in effect in FYs 1999 and 2000 included all hearings and did not distinguish Medicare hearings from any other hearings.

Data Source: Case Processing and Management System (CPMS). Disability cases are tracked under CPMS while Medicare cases will continue to be tracked under OHA’s Hearing Office Tracking System.

Strategic Objective 2: Increase employment for people with disabilities

SSA’s key long-term outcome is to increase by 50 percent, from 2001 levels, the number of people with disabilities who achieve employment. SSA continues to improve Agency programs and resources and to develop a nationwide infrastructure that will help beneficiaries with disabilities achieve self-sufficiency through employment.

A discussion of SSA’s FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA’s Office of the Inspector General (OIG) identified Major Management Challenges for this strategic objective can be found beginning on page 19.

Strategic Objective 3: Improve service with technology

SSA’s key long-term outcome is to substantially increase the use of electronic services. A discussion of SSA’s FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA’s Office of the Inspector General (OIG) identified Major Management Challenges for this strategic objective can be found beginning on page 23.

3.1 — Key Performance Indicator: Usage of Electronic Entitlement and Supporting Actions

FY 2004 Goal: 328,398 (50% growth over FY 2002 baseline)

Actual FY 2004 Performance: 611,266 (179.2% growth over FY 2002 baseline)

SSA met its goal. In FY 2004, this performance indicator was revised to measure broader performance than in previous years. This goal includes eight Internet applications (listed in the data definition section below) and targets an increase of 50 percent over the FY 2002 baseline. Based on FY 2003 actual usage of these Internet applications, SSA anticipated exceeding this goal. In addition, several Internet enhancements in FY 2004 also attributed to increased usage. The enhancements included:

- PIN/Password expansion to provide passwords on request.
- Authentication tolerance changes for Internet Medicare Replacement Card and Proof of Income Letter requests.
- Addition of knowledge-based change of address application.

Improving SSA *service* through technology provides the public with easy and efficient access to SSA services without leaving their home or workplace, ultimately saving time and resources. This performance indicator also contributes to increased Agency productivity and, thereby, improves service and preserves trust fund and general revenue monies. SSA will continue to make enhancements to these applications and expand promotion efforts that will further increase the usage of the Internet.

FY 1999 – FY 2003: Not Available – This is a new measure for FY 2004.

Trend: This performance indicator was established in FY 2004. Considering the number of changes that impact usage, it is difficult to determine the nature of the trend. SSA will continue to monitor changes in usage patterns and establish new goals for FY 2005 accordingly.

Data Definition: In setting this new measure, SSA recognizes the need for one that is overarching and takes into account additional electronic services in its Title II suite, and shows the increased usage of these electronic services. The new indicator consists of an aggregate measure of representative electronic transactions the public performs with SSA. The following are included in this indicator:

- 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 (formerly known as Benefit Verification Statement) (effective 3/99).
- Internet Medicare Replacement Card (effective 7/00).
- Internet Change of Address includes:
 - Password Based Change of Address (effective 4/01).
 - Knowledge Based Change of Address (effective 2/04).
- Internet Change of Direct Deposit (effective 8/01).

Beginning in FY 2004, the growth percentage goal compares the aggregate count of these transactions in the fiscal year to those in the FY 2002 baseline of 218,932 transactions. For FY 2004, the Agency's targeted aggregate count is 328,398.

Data Source: Executive and Management Information System, Title II Internet Claims Report, Electronic Service Delivery Report.

3.2 — Key Performance Indicator: Percent of Employee Reports (W-2s) Filed Electronically

FY 2004 Goal: 55%

Actual FY 2004 Performance: 60%

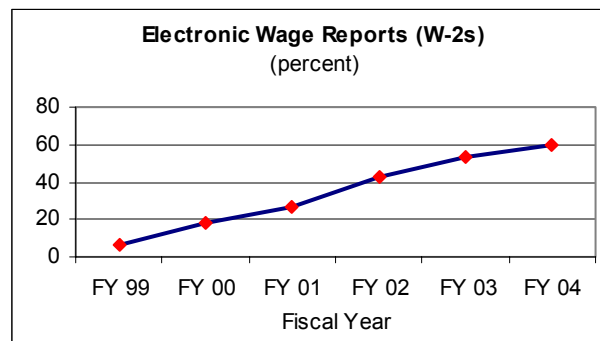
SSA met its goal. SSA has made significant improvements in its earnings process and service to employers, which includes automating the reporting of wages by employers. Electronic Wage Reporting simplifies the wage reporting process for businesses by allowing them to submit employee wage reports (Forms W-2) online. The service also includes the AccuWage tool for businesses that improves reporting accuracy and reduces the volume of error correction and necessary follow-up contacts. In tax year 2002, 53.4 percent of all employee wage items were submitted electronically. Through June 2004, 58 percent of all employee wage items have been submitted electronically.

The use of W-2 Online also contributed to attainment of this goal. W-2 Online is a service that meets the needs of small businesses by providing online entry and printing of W-2 wage and tax statement forms for distribution to employees. The Internet-based system also sends the wage and tax information to SSA, saving both time and money.

This performance indicator supports SSA's strategies and activities to improve *service* through technology. SSA's vision is to provide, within the next 5 years, cost-effective E-Government services to citizens, businesses and other government agencies.

Opportunities still exist to make improvements in the electronic wage reporting program. Over the next 2 years, SSA will eliminate the use of diskette, tape, and paper reporting to increase electronic reporting. SSA plans to accommodate more electronic business via the Internet, improve earnings products and services for employers and employees, and improve the way earnings are established, corrected and adjusted.

FY 1999: 6.6%
FY 2000: 18.4%
FY 2001: 27.0%
FY 2002: 42.5%
FY 2003: 53.4%



Trend: The Employer Services Online (ESO) Operation helped publicize Internet features and promote e-filing in FY 2001. FY 2002 was the first year the Agency mandated use of new Magnetic Media Reporting and Electronic Filing which provided employers with tools to file electronically. FY 2003 was the first full year SSA offered W2-Online filing. SSA's performance this fiscal year has surpassed previous years due to increased W2-Online use and the conversion of tape, cartridge, and diskette filers to electronic filers.

Data Definition: 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).

Data Source: Earnings Management Information Operational Data Store reports.

3.3 — Key Performance Indicator: Percent of People Who Do Business with SSA Rating the Overall Service as “Excellent,” “Very Good,” or “Good”

FY 2004 Goal: 83%

Actual FY 2004 Performance: 84.2%

SSA met its goal. Since the people who do business with Social Security primarily choose to use the telephone, satisfaction with telephone service is a key factor in the overall rating. Perceptions of access by telephone, i.e., ease of “getting through” have been a consistent determinate of overall satisfaction for those calling SSA’s 800-number and field offices. In FY 2004, the high degree of satisfaction with 800-number service was influenced by a greatly improved telephone access rating contributing to a significant increase in satisfaction with SSA service overall.

Improved productivity is essential to meeting the information technology challenges ahead. The Social Security Advisory Board has noted that the combination of dramatic workload growth and SSA’s employee retirement wave “will place extraordinary pressures on the Agency to meet the public’s need for service.” In the face of these challenges, technology is essential to achieving efficiency and enabling employees to deliver the kind of *service* that every claimant, beneficiary and citizen needs and deserves.

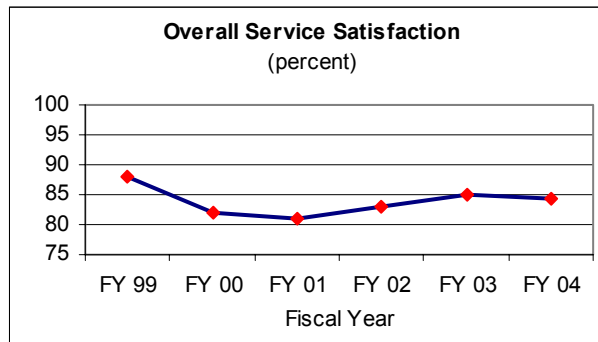
FY 1999: 88%

FY 2000: 82%

FY 2001: 81%

FY 2002: 83%

FY 2003: 85%



Trend: FY 2004 was the third year in a row that the public’s perception of SSA’s service reflected a statistically significant improvement.

Data Definition: Percent of respondents surveyed administered by SSA’s Office of Quality Assurance and Performance Assessment. Respondents are asked to 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 answer that question.

Data Source: Interaction Tracking System that captures satisfaction shortly after service contacts (either by telephone or in-person) take place.

Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

Ensuring program stewardship is an inherent aspect of the Agency’s responsibility to provide good service to the public. The people of America who fund the Social Security programs through payroll and self-employment tax contributions and the SSI program through income tax payments expect and deserve well-managed programs. Taxpayers must be confident that their tax dollars are properly spent. Beneficiaries must know that their benefits are correctly paid.

Good stewardship also demands the effective and efficient use of the resources SSA receives to administer the programs. This goal addresses three of the President’s Management Agenda (PMA) initiatives that are aimed at sound financial management: Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration. In addition, good stewardship encompasses the responsibility to ensure the security of SSA’s information systems and the integrity and privacy of the information that SSA maintains. SSA’s commitment to strengthen the integrity of the SSN is also a stewardship initiative that will bring major improvement to the enumeration and verification process. SSA has already taken many steps to strengthen the Agency’s capability to prevent those with criminal intent from getting SSN cards.

Strategic Objective 4: Prevent fraudulent and erroneous payments and improve debt management

SSA’s key long-term goal is to increase Supplemental Security Income (SSI) payment accuracy to 96 percent (free of preventable error) and to 95 percent (free of error). In FY 2004, SSA continued to build on SSI program management improvements. A discussion of SSA’s FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA’s Office of the Inspector General (OIG) identified Major Management Challenges for this strategic objective can be found beginning on page 27.

4.1 — Key Performance Indicator: Supplemental Security Income (SSI) Non-Disability Redeterminations

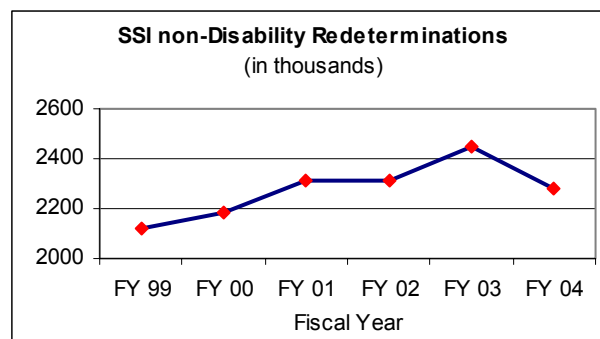
FY 2004 Goal: 2,210,000

Actual FY 2004 Performance: 2,278,566

SSA met its goal. The goal for this performance indicator is routinely met or almost met (within 95 percent of the goal) every fiscal year because the Agency is adept at linking resources to the workloads as soon as the budget is released. The Agency originally set the FY 2004 goal at 2,455,000. However, due to budget constraints SSA had to cut back in areas where spending could be controlled, which included reducing this goal to 2,210,000.

Redeterminations, required by law, are periodic reviews of non-medical factors of SSI eligibility and are the most powerful tool SSA has to detect and prevent SSI overpayments. They are a direct link to the *stewardship* goal because they ensure that Americans receive the benefits they are due, and ultimately assure taxpayers that general revenue funds are spent correctly. In FY 2003, redeterminations produced \$2.7 billion in overpayments collected or prevented and an additional \$1.53 billion in underpayments paid or prevented.

FY 1999: 2,122,279
FY 2000: 2,182,027
FY 2001: 2,315,856
FY 2002: 2,311,499
FY 2003: 2,449,674



Trend: SSA exceeded the number of projected clearances in FYs 2001 and 2002 because the Agency did not experience budget shortfalls. The FY 2003 goal was set at 2,455,000. Because the Agency was in danger of processing fewer than the projected number of redeterminations in FY 2003, action was taken mid-year to increase the number of redeterminations released for processing. However, due to a contractor delay in the release of 100,000 mailings, the goal was not met.

Data Definition: All actions involving the eligibility redeterminations of SSI beneficiaries resulting from diary actions (scheduled) and those initiated as a result of events reported by beneficiaries (unscheduled). The number of non-disability redeterminations completed includes those cases released to the Regions, as well as to the Wilkes-Barre Data Operations Center.

Data Source: Redeterminations Service Delivery Objective Report for Post-eligibility Operational Datastore.

4.2 — Key Performance Indicator: Periodic Continuing Disability Reviews (CDRs) Processed

FY 2004 Goal: 1,537,000

Actual FY 2004 Performance: 1,604,680

SSA met its goal. Improvements in the CDR profiling process resulted in an increased number of CDRs processed by mailer rather than by more expansive full medical reviews. CDR mailers are released in August, October, February, and June. The attainment of this goal was also linked to resources. Although the FY 2004 goal was met, reduced appropriations and higher initial disability claims receipts resulted in the Agency not being able to process as many CDRs as planned.

The Agency has made tremendous progress in its efforts to improve the CDR process. Currently, several feasibility studies are underway; and, if they are productive, SSA plans to implement related projects in FY 2005. One example is studying a mailer process for SSI cases that could be implemented in FY 2005. Additionally, there are several other initiatives underway, including a Failure to Cooperate Pilot, which is designed to increase processing efficiency without sacrificing effectiveness.

CDRs are a direct link to the *stewardship* goal because they help ensure the integrity of the disability program through which SSA determines whether beneficiaries will continue to be entitled to benefits based on their medical conditions. They ensure that Americans receive the benefits they are due, and ultimately assure taxpayers that trust fund money and general revenue funds are spent correctly. SSA has generated government-wide savings of approximately \$10 for each \$1 spent on such activities.

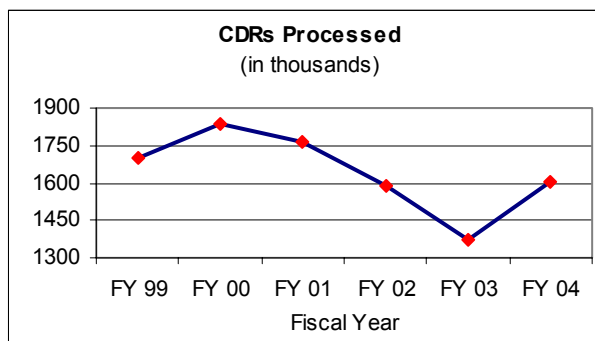
FY 1999: 1,703,414

FY 2000: 1,836,510

FY 2001: 1,762,517

FY 2002: 1,586,091

FY 2003: 1,371,255



Trend: With special funding from Congress, SSA successfully completed its 7-year plan to eliminate the CDR pending workload last year. SSA did not receive any special funding from Congress to complete this workload in FY 2004. Yet, knowing the importance of completing CDRs to maintain the integrity of the disability rolls, the Agency increased the goal from 1,203,000 in FY 2003 to 1,537,000 in FY 2004. Performance this fiscal year is significantly below FYs 2000 and 2001, slightly below FY 2002, but slightly above where the Agency was in FY 2003.

Data Definition: Count includes periodic reviews and other CDRs processed by the DDSs and mailers not requiring medical reviews.

Data Source: Disability Operational Data Store and CDR Tracking File.

4.3 — Key Performance Indicator: Percent of Outstanding Old Age, Survivors, and Disability Insurance (OASDI) Debt in a Collection Arrangement

FY 2004 Goal: 38%

Actual FY 2004 Performance: 42.2%

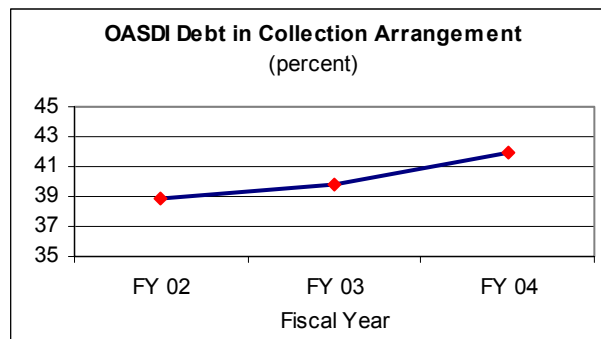
SSA met its goal. SSA’s *stewardship* responsibilities require that the Agency recover as much debt as possible. The Agency continues to use aggressive debt collection tools to recover delinquent benefit overpayments from former beneficiaries. SSA refers delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments. In addition, SSA withholds Supplemental Security Income (SSI) overpayments from the benefits of individuals who become entitled to OASDI payments and refers debts to credit bureaus. SSA operating components now have access to a tool named “OP-WIZ” that organizes debt information more efficiently for individual case processing and better workload management. A project under development is the use of Administrative Wage Garnishment as a means to collect debts through a debtor’s employer. Anticipated implementation is December 2004.

FY 1999 – FY 2001:

Not Available –
This was a new measure for FY 2002.

FY 2002: 38.9%

FY 2003: 39.8%



Trend: The FY 2003 goal was based on an analysis of past performance and was set at levels that would result in performance close to the goals. The Agency has not seen any significant changes in FYs 2003 or 2004 in regard to establishment or resolution of overpayments that would affect the performance measure. Performance for this fiscal year is above FYs 2002 and 2003.

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. 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: To improve this indicator, SSA will focus on the debt not in a collection arrangement by developing initiatives to collect it or eliminate it if it is unproductive.

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

Strategic Objective 5: Strengthen the integrity of the Social Security Number (SSN)

SSA's key long-term goal is to ensure that SSNs are only issued based on verified documents. A discussion of SSA's FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA's Office of the Inspector General (OIG) identified Major Management Challenges for this strategic objective can be found beginning on page 31.

Strategic Objective 6: Increase the accuracy of earnings records

SSA's key long-term goal is to remove earnings items from the suspense file and post them to the correct earnings record. A discussion of SSA's FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the GAO and OIG identified Major Management Challenges for this strategic objective can be found beginning on page 33.

Strategic Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

SSA has set a goal of achieving an average of at least 2 percent per year improvement in productivity. Advances in automation are key to SSA's productivity improvement; however process changes have also made positive contributions. A discussion of SSA's FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA's Office of the Inspector General (OIG) identified Major Management Challenges for this strategic objective can be found beginning on page 34.

7.1 — Key Performance Indicator: Disability Determination Service (DDS) Cases Processed Per Workyear (PPWY)

FY 2004 Goal: 272 cases per workyear

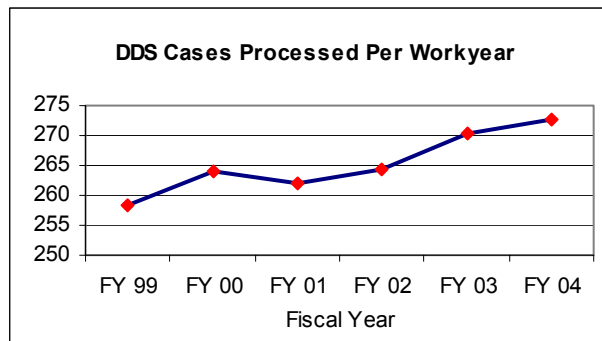
Actual FY 2004 Performance: 272.6 cases per workyear

SSA met its goal. The Disability Determination Services (DDSs) experienced significant increases in the number of disability claims that were filed in FY 2004. The Agency provided additional funding to the DDSs to focus on

processing initial disability claims. In addition, Social Security offices and DDSs throughout the country began implementing various components of the electronic claim process, which provided both training and learning curve challenges. The Agency met the goal despite the increased workload and processing delays that were encountered during the implementation of the electronic disability process. Attainment of this goal is an indicator that enhancements to the disability claims process are allowing the Agency to process claims more efficiently.

This key performance indicator is directly linked to the Agency’s *stewardship* goal since it focuses on Agency productivity. The attainment of this goal indicates that the Agency effectively manages resources and that the outcomes can be directly linked to Agency performance.

FY 1999: 259
FY 2000: 264
FY 2001: 262
FY 2002: 265
FY 2003: 270



Trend: Performance this fiscal year is slightly above FY 2003 and significantly above FY 2001 and 2002. PPWY has increased each year since FY 2001. SSA expects the PPWY trend to continue to increase, provided the SSA appropriation is sufficient to fully fund DDS workloads. Eventually the national implementation of the eDib initiative will also help to improve performance.

Data Definition: This indicator represents the average number of DDS cases processed 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.

7.2 — Key Performance Indicator: “Get to green” on all five President’s Management Agenda (PMA) Initiatives

FY 2004 Goal: Achieve an overall status rating of “green” on four of five PMA initiatives.

Actual FY 2004 Performance: Achieved an overall status rating of “green” on three of five PMA initiatives.

SSA did not meet its goal. The President’s Management Agenda (PMA) is a bold strategy to improve management and performance of the Federal government helping to assure the public that Federal programs are well run and results-oriented. Each agency’s efforts to implement the PMA initiatives are tracked by the Office of Management and Budget, using a scorecard that employs a simple “traffic light” grading system. As good stewards for the individuals who are contributing to and/or benefiting from the Social Security and SSI programs, the Agency is committed to get to “green” on all of the PMA initiatives. SSA’s results can be easily seen at http://www.whitehouse.gov/omb/budintegration/scorecards/agency_scorecards.html.

The September FYs 2003 and 2004 ratings for Status and Progress on the five PMA plans were:

PMA Plan	September 2003		September 2004	
	Status	Progress	Status	Progress
Expanded Electronic Government	Yellow	Green	Yellow	Yellow
Competitive Sourcing	Red	Green	Yellow	Green
Improved Financial Performance	Green	Green	Green	Green
Budget and Performance Integration	Yellow	Green	Green	Green
Strategic Management of Human Capital	Yellow	Green	Green	Green

The Agency worked on many fronts to make progress in FY 2004 on the Expanded Electronic Government initiative. SSA will continue to work to meet all standards for achieving “green” in overall status. The Agency made substantial progress on the Competitive Sourcing initiative. SSA has developed a multi-year competitive sourcing plan that establishes the framework for achieving “green” status.

FY 1999 – FY 2003: Not Available – This is a new measure for FY 2004.

Trend: In FY 2003, SSA was at “green” for “status” on only one PMA item – Improved Financial Performance. At present, the Agency has achieved “green” for “status” on two additional PMA initiatives – Budget and Performance Integration and Strategic Management of Human Capital. In addition, SSA has achieved “yellow” for “status” on Expanded Electronic Government and Competitive Sourcing.

Data Definition: Receiving a “green” score on the PMA initiative for status.

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

Strategic Goal C: To achieve sustainable Solvency and ensure Social Security programs meet the needs of current and future generations

This goal addresses SSA’s responsibility to continually assess the retirement and disability programs in the context of societal trends and support reforms to ensure the solvency of the programs for today’s and tomorrow’s beneficiaries. Without reforms, Social Security is projected to be financially unsustainable over the long term. When the first baby boomers reach retirement age in 4 years, the number of retirees will grow rapidly. Life-expectancy is also increasing and births are expected to be below population replacement rates. As a result, the ratio of workers paying taxes to the people drawing benefits is projected to decline from 3.3 to 1 today to 2.2 to 1 by 2030. Social Security’s outlays will begin to exceed its tax income in 2018, and the Social Security trust funds will be exhausted by 2042. Projected assets (including current Trust Fund holdings and future tax income through 2078) are expected to fall short of the amount needed to adequately finance all scheduled benefits through 2078. SSA will continue to educate the public on the solvency issue and possible solutions.

The Americans with Disabilities Act and medical and technological advances are removing barriers to work and changing the assumptions about what people with disabilities can do and want to do. This and other related concerns led the Government Accountability Office (GAO) to add modernizing all Federal disability programs to its high-risk list. SSA must respond to these developments. A discussion of SSA’s FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes for this goal are discussed in more detail beginning on page 38.

Strategic Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

The Agency has completed a wide variety of policy analyses on solvency issues and is publishing a number of these, as well as making them available to policymakers and the public on the Internet. The annual conference of SSA's Retirement Research Consortium focused on 'The Future of Social Security'. All of the sessions at the conference concerned issues relating to Social Security reform. In addition, Agency officials have made and will continue to make presentations concerning the solvency issue.

Members of the Office of Legislation and Congressional Affairs, the Office of Policy, and the Office of the Chief Actuary have worked with members of the Congress and their staff evaluating their legislative proposals to reform the Social Security program. Also, the Office of the Chief Actuary and the Office of Policy have developed estimates of the financial effects of several legislative reform proposals and also given Congressional testimony pertaining to these proposals.

8.1 — Key Performance Indicator: Provide Support to the Administration and Congress in Developing Legislative Proposals to Achieve Sustainable Solvency for Social Security and Implementing Reform Legislation

FY 2004 Goal: Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms.

Actual FY 2004 Performance: Conducted analysis for the Administration and Congress on key issues related to implementing Social Security reforms.

SSA met its goal. SSA provided senior Agency officials and high-level policymakers with a wide variety of policy analyses on solvency issues and evaluated several congressional and other reform proposals. Social Security *solvency* will ensure economic security for generations to come.

FY 1999 – FY 2002: Not Available – This was a new measure for FY 2003.

FY 2003: Conducted analyses related to Social Security reforms.

Trend: This indicator was first employed in FY 2003. SSA has met its goal for this key performance indicator in both FY 2003 and FY 2004.

Data Definition: Completed reports and analyses on present law provisions, as well as on proposed and pending legislation and other proposals for ensuring the solvency of the system.

Data Source: SSA's Office of Policy records.

Strategic Goal D: To strategically manage and align Staff to support SSA's mission

SSA's *staff* goal differs from the other three strategic goals. It is actually considered an enabling goal since its corresponding performance measures support SSA in carrying out its mission. The activities focus on enhancing workforce assets, improving communications, and furthering an expansive approach to providing service to the

public, ensuring stewardship of Social Security programs and resources while supporting reforms to ensure sustainable solvency and more responsive retirement and disability programs.

A discussion of SSA’s FY 2004 accomplishments and the progress SSA made in the context of its long-term key outcomes, and the Government Accountability Office (GAO) and SSA’s Office of the Inspector General (OIG) identified Major Management Challenges for this goal are discussed in more detail beginning on page 40.

Strategic Objective 9: Recruit, develop and retain a high-performing workforce

This goal addresses the President’s Management Agenda (PMA) Human Capital initiative and a similar GAO and OIG identified Major Management Challenge regarding “Human Capital.” There are six critical success factors that comprise the Human Capital Standards for success. Following is a summary of SSA’s progress towards those standards:

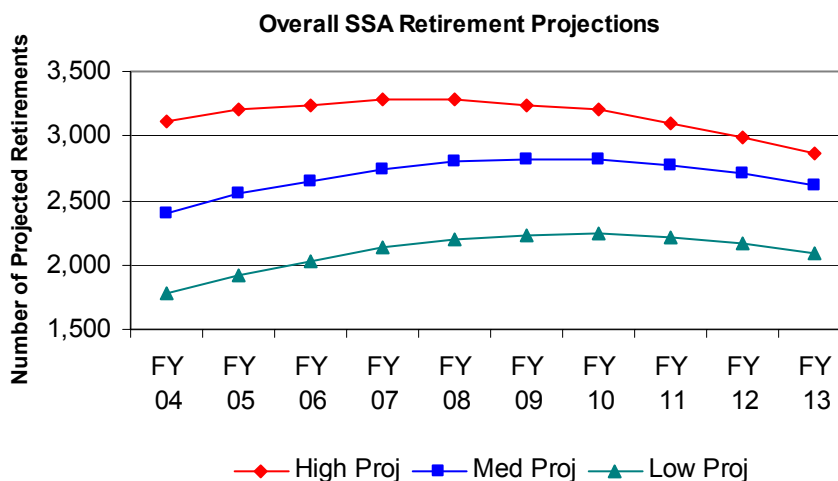
SSA’s human capital strategy is aligned with the Agency’s mission, goals and organizational objectives, and integrated into its strategic plan, performance plans and budgets —The Agency’s Strategic Plan for 2003-2008 outlines how SSA will manage and align staff to support its mission. It contains human capital milestones regarding recruitment, retention, employee development and the creation of a satisfying work environment.

The Agency’s 2004 Retirement Wave Report states that projected retirements for employees on duty as of October 1, 2003 will cumulatively reach 20 percent of SSA’s current workforce by 2008. By 2013, 41 percent of current employees are projected to retire. To help Agency managers

respond to this challenge, a Future Workforce Transition Plan (FWTP) was developed. SSA’s Annual Performance Plan and budget request contain commitments to implement the human capital activities detailed in the FWTP. The Agency also developed a Human Capital Plan (HCP) that builds upon successful workforce planning strategies that are outlined in the FWTP. The HCP outlines five key activities for success in achieving measurable human capital results. They are: Strategic Alignment, Workforce Planning, Workforce Development and Knowledge Management, Performance Culture, and Leadership. Results are assessed through both overall Agency measures and specific human capital measures.

SSA is citizen-centered, de-layered and mission-focused, and leverages E-Government and competitive sourcing — SSA developed a plan for updating retirement projections based on recent data and trends. This plan allows SSA to identify current and future human capital needs to enable the Agency to recruit necessary replacements and be responsive to the needs of the public. SSA continues to focus on direct service positions. In FY 2004, the Agency met its long-term goal of reallocating 5 percent of headquarters positions to direct service.

SSA is committed to the advancement of electronic Government, working as a partner agency with the Office of Personnel Management (OPM) on the Recruitment One-Stop, Enterprise Human Resources Integration and



e-Payroll initiatives. SSA is also working with OPM in the analysis of the USA Staffing web-based product to improve and simplify the vacancy announcement process. SSA supports the competitive sourcing initiative and has developed a Competitive Sourcing Human Resource Plan that addresses the human resources aspects of competitive sourcing.

Agency leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvement in performance — SSA offers an array of training opportunities for employees throughout the organization. All new supervisors complete a 2-week course that focuses on leadership roles such as teambuilding, providing feedback, mentoring, valuing diversity and motivating others. There is also training that teaches the “nuts and bolts” of supervision – managing time and leave, labor management procedures, and other critical administrative procedures. In addition, courses on leadership competencies are offered through classroom training, online resources, and IVT broadcasts, support managers at all levels in honing their skills. To ensure that the Agency’s financial resources used to oversee projects are carefully managed and that contractors provide correct and complete services to/for the Agency, a course referred to as “Promoting Project Excellence” was developed for Agency employees. To date, the Agency has trained 517 people.

SSA continues the aggressive use of national, component and regional-level development programs to ensure the continuity of leadership at SSA. Programs include the Leadership Development Program (GS-9 through GS-12 employees), Advanced Leadership Development Program (GS-13 and GS-14 employees), the SES Candidate Development Program (GS-15 employees), and the Presidential Management Fellows Program, as well as regional and component level programs. These programs are designed to build leadership competencies, and are structured and managed to link performance with results and provide a firm understanding of the Agency’s four strategic goals. The Agency significantly increased participants in its national career development programs between 2001 and 2004 to 259 employees. In FY 2004, SSA substantially exceeded its goal of 3 percent by providing over 8 percent of the workforce with job enrichment and developmental opportunities.

Agency leaders recognize that it is essential that the workforce receive quality training to perform their jobs so that SSA employees are equipped to qualify for advancement opportunities in the Agency. To meet this challenge, SSA has made effective use of limited resources and proven technologies in order to provide a variety of classroom and online training opportunities. SSA continues to build upon its nationwide expansion of an interactive video training (IVT) network that is capable of delivering training to SSA employees in over 1,500 downlink sites. IVT provides training for a fraction of the cost of other training alternatives and provides timely training for the Agency’s public contact employees. Additionally, through Internet technology, SSA employees are able to take training through their desktop computer or from other locations via the Agency’s website. This capability will be enhanced when the Agency migrates to OPM’s online training system (GoLearn) in 2005.

SSA has a diverse, results-oriented, high performing workforce and has a performance management system that effectively differentiates between high and low performance and links individual/team/unit performance to organizational goals and desired results — SSA has one of the most diverse workforces in the Federal government, including approximately 71 percent women, 28 percent African-Americans, 12 percent Hispanics, 4 percent Asians, 1 percent American Indians and 8 percent people with disabilities. The Agency’s success in achieving diversity in the workforce is validated by the Partnership for Public Service, a non-profit organization whose mission is to make the government an employer of choice for talented, dedicated individuals. In their *Best Places to Work in the Federal Government* report, SSA ranked second among minorities as a desirable place to work.

As more of the SSA workforce retires, the Agency is continuing efforts to replace highly-valued and experienced staff with new people committed to public service. Recently, the Agency developed a national recruitment guide for managers and human resource personnel – a comprehensive list of over 2,000 Internet links to university/college career centers. SSA continually fine tunes its recruitment program and targets specific occupations, as needs dictate. For example, SSA developed a new recruitment outreach program to attract veterans, actuaries, special agents and auditors to the workforce. In an effort to attract and hire more people with disabilities, the Agency is developing a new recruitment outreach program. In addition, SSA is working closely with internal advisory groups to develop new strategies and recruitment products to support this important initiative.

At SSA, employee performance is rewarded commensurate to contribution to the Agency's mission. The connection between SSA's mission and performance expectations is communicated to all employees upon distribution of their performance plan and during performance reviews. Performance results are tracked and recognition is given for accomplishment, in the form of both monetary and non-monetary awards. The Agency makes distinctions among employees and differentiates levels of performance and magnitude of contribution by the type and/or value of award given.

SSA has closed most mission-critical skills, knowledge and competency gaps/deficiencies, and has made meaningful progress toward closing all — The Agency provides ongoing technical training, and by the end of this fiscal year, 85 percent of the entry-level training for public contact employees will be competency based. The training is designed to build job-specific competencies, such as knowledge, behaviors, skills, abilities, attributes, or traits associated with high or superior performance on the job. In addition, a Competency Assessment Process was developed to assess external applicants for the Claims Representative position on seven critical competencies. The Competency Assessment Process was piloted in FY 2003, the results are being evaluated and a final report will be issued in March 2005. The technical competencies required for the Claims Representative and Service Representative positions have also been incorporated into revised technical training courses for public contact employees.

SSA's human capital decisions are guided by a data-driven, results-oriented planning and accountability system — The Retirement Wave report and the HCP identify the Agency's human capital needs, while the FWTP tracks progress on human capital action items. Documented programs are guided via the SSA Succession Plan which includes a retirement wave analysis, the FWTP, recruitment strategies, learning and diversity programs, and the numerous developmental programs in place throughout the country. In addition, programs and initiatives are outlined in the Annual Performance Plan and the FWTP. Finally, reviews of the personnel functions in the Regional and Headquarters servicing personnel offices are regularly conducted and results shared with Agency leadership.

9.1 — Key Performance Indicator: *Improve the New Hire Retention Rate*

FY 2004 Goal: 84.9%

Actual FY 2004 Performance: 89.9%

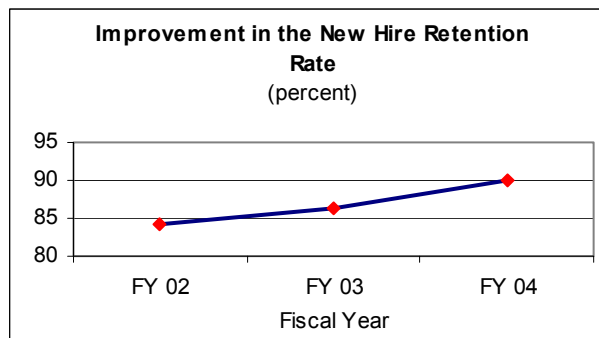
SSA met its goal. The FY 2004 performance was based on retention of employees hired in FY 2002. SSA met the goal due to its targeted recruitment programs and enhanced job applicant interview processes. The Agency also offered extensive developmental training and mentoring for new hires. The economy and other external factors may have also had an impact on employee retention.

Activities associated with the *staff* goal focus on enhancing workforce attributes, improving communications, and furthering an expansive approach to providing service to the public. In addition, the activities are designed to ensure increased stewardship of Social Security programs and resources, support reforms leading to sustainable solvency, and progress toward more responsive retirement and disability programs.

FY 1999 – FY 2001:
Not Available –
This was a new measure for FY 2002.

FY 2002: 84.3%

FY 2003: 86.4%



Trend: The trend for FY 2002 through FY 2004 has been positive. A minimal level of attrition is expected and healthy for any organization. Employee retention in the mid to upper 80 percent range is optimal. Retention can be impacted by internal factors, such as hiring, training, mentoring and the work environment; and by external factors such as the economy and employees' personal circumstances.

Data Definition: The new hire retention rate is calculated by comparing the number of employees hired in a fiscal year to the number of employees who separate in the fiscal year in which they were hired or in the subsequent fiscal year. FY 2004 performance was determined by the percentage of FY 2002 new hires remaining with SSA during FY 2002 and FY 2003. SSA excludes wage grade positions from this performance indicator because they were not included in the original baseline calculation.

Data Source: The Human Resource Management Information System.

9.2 — Key Performance Indicator: *Milestones in Developing New Performance Management Systems*

FY 2004 Goal: Implement new system for GS-15 employees

Actual FY 2004 Performance: Implemented a new system for GS-15 employees

SSA met its goal. The five-tier performance management system for GS-15 employees was implemented on October 1, 2003. The new approach provides a direct correlation between the employee's contributions and the Agency mission, goals and objectives, enabling management to differentiate among levels of performance.

Activities that support the *staff* goal also support the goals of *service*, *stewardship* and *solvency* in that SSA employees serve as key enablers to achieving all Agency goals.

FY 1999 – FY 2002: Not Available – This was a new measure for FY 2003.

FY 2003: Implemented a new SES system.

Trend: The FY 2003 performance measure was the implementation of a new Senior Executive Service (SES) performance management system. The SES system was implemented on October 1, 2002.

Data Definition: Development and implementation of a multi-tiered performance management system that relates the employee contributions to Agency mission, goals and objectives, and that enables management to differentiate among levels of performance.

Data Source: Office of Human Resources records.

Data Quality

General Discussion: SSA is committed to providing clear and reliable data for managerial decision-making and overseeing SSA's programs and management. SSA also strives to ensure that the data is quantifiable and verifiable. In place are internal management controls that are responsive to the insights and directives provided by SSA's Office of the Inspector General (OIG) and the Government Accountability Office (GAO). These controls, which include ongoing data quality reviews, as well as reviews at all levels of management, audit trails, restricted access to sensitive data and separation of responsibilities, are designed to safeguard the integrity and quality of SSA's vast data resources. The controls allow assurances that data contained in the FY 2004 Performance and Accountability Report contain no material inadequacies, and further allow the Commissioner to certify that, with reasonable assurance, SSA is in compliance with the provisions of the Federal Managers' Financial Integrity Act of 1982.

SSA Data Integrity Systems and Controls: Performance data for the Annual Performance Plan's quantifiable measures, including the budgeted output measures, are generated by automated management information and workload measurement systems, as a by-product of routine operations. The performance data for several accuracy and public satisfaction indicators comes from surveys and workload samples designed to achieve very high levels (usually 95 percent confidence level) of statistical validity.

The Office of Quality Assurance and Performance Assessment (OQA) performs stewardship reviews that have been the mainstay reports on the quality of the Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) program for many years. The reviews will continue to be the primary measure of quality for Agency performance and provide the basis for reports to Congress and other monitoring authorities. The reviews provide an overall accuracy measurement of payments to all Social Security recipients, based on monthly sample selections from Social Security records consisting of recipients currently receiving benefits. For each sampled case, the recipient or representative payee is interviewed, contacts are made as needed, and all non-medical factors of eligibility are redeveloped as of the current sample month.

OQA has initiated a new evaluation process to provide more current and useable quality feedback on recently processed OASDI/SSI cases and SSI redeterminations. The new process, Targeted Assessment Reviews (TAR), focuses on field office/program service center quality and relies on the case processing procedures as defined by the Program Operations Manual System (POMS) instructions. When POMS instructions are not followed and further development of the case is needed, OQA makes a personal contact with the claimant or representative payee to bring the issue in question into compliance with POMS and to determine whether there is any payment effect. If an error is apparent from the material in the field office file and does not require any further development, the OQA reviewer cites an error and determines the payment impact. Quality feedback is provided to the office that processed the case. The TAR sample reviews total about 20,000 cases annually (10,000 each for the OASDI and SSI programs). These reviews produce national and regional data on the quality of approximately 5 million OASDI claims and 4.2 million SSI claims, redeterminations and limited issues processed each year.

In addition, based on the findings of TAR, targeted reviews focus on specific problems that are identified at the national or regional level. Targeted samples are not limited to POMS compliance standards, depending on the nature of the issue. Currently, problem areas identified during the review drive the selection of topics for these targeted reviews of 8,000 cases annually (4,000 each for the OASDI and SSI programs) which are distributed in proportion to the size of each region.

Field assistance visits to field offices comprise a third element of the new TAR. In conjunction with the Regional Commissioners, Regional Offices of Quality Assurance and Performance Assessment staff conduct field assistance visits to identify where work process improvements can be made.

Under the new TAR, reports are provided every 6 months, covering a rolling 12 month review period. The first reports covered all cases reviewed from May 2003 through September 2003 and was issued in August 2004. A subsequent report will include all cases reviewed from May 2003 through March 2004.

Performance Report: The annual Performance and Accountability Report is used to report Agency progress in meeting the Government Performance and Results Act (GPRA) goals. The FY 2004 Performance and Accountability Report describes the Agency's comprehensive review of management and security controls for: (1) administrative and programmatic processes; and (2) accounting controls in financial management systems.

This FY 2004 PAR displays the data definitions and data sources for each of the Agency's performance measures. SSA also includes margin of error information for the OASDI and SSI accuracy measures. Where applicable, the Agency identifies data weaknesses and the efforts underway to address such weaknesses. When performance goals cannot be defined in an objective/quantifiable form, SSA has established descriptive statements that define achievement.

Roles of the Government Accountability Office (GAO) and SSA's Office of the Inspector General (OIG): The GAO and OIG play key roles in auditing performance measure data systems to determine if they are reliable, and that data are useful and relevant to policy decision-making. In January 2003, the GAO issued the report, "Major Management Challenges and Program Risks, Social Security Administration". The purpose of this report was to maintain Congressional focus and a continuing Agency focus on addressing the GAO-identified major management challenges:

- Continue to strengthen the integrity of the SSI program.
- Improve SSA's programs that provide support for individuals with disabilities.
- Better position SSA for future service delivery challenges.
- Strengthen controls to protect the personal information SSA develops and maintains.

GAO has not identified any concerns about performance measures or data quality in the last several years. SSA is committed to being responsive to any future concerns GAO brings to the Agency's attention.

SSA's OIG annually audits a number of SSA's performance measures and corresponding performance data. In FY 2004 OIG initiated a review of 16 performance measures reported in the Agency's FY 2003 Performance and Accountability Report. OIG's contractor, PricewaterhouseCoopers LLP (PwC), performed the work under the direction and oversight of OIG. PwC's objectives were to:

- Test critical controls over the data generation and calculation processes for the specific performance measure.
- Assess the overall adequacy, accuracy, reasonableness, completeness, and consistency of the performance measure and supporting data.
- Determine if each performance measure provides meaningful measurement of the program and the achievement of its stated objectives.

The OIG made recommendations on specific performance measures. Key audit recommendations included:

- Document the policies and procedures used to prepare and disclose the results of the performance measure.
- Ensure that the performance measure titles, definitions, and goals are explicit and consistent.
- Maintain a complete and independent audit trail including the computer files used to perform the calculations.
- Improve and maintain documentation that describes how and/or why the performance measure goals were established.
- Include time spent by contractors in the calculation of the indicator.
- Completely and accurately calculate the actual results of the performance indicators in accordance with the original goal.
- Articulate, enhance, and disclose the discussion of the linkage of the performance measures to the Agency's strategic goals and objectives.
- Ensure that access to data used to calculate indicator results is appropriately restricted.

SSA has already implemented or agreed to implement a majority of the audit recommendations. There were some to which SSA did not agree, and for those, a rationale was provided.

Over the years SSA has implemented most of the OIG and GAO recommendations, and conducts ongoing discussions with them concerning the recommendations that were not implemented. Each fiscal year since FY 2000 new audit recommendations have increased, causing an ongoing executive emphasis that focuses on the implementation of significant recommendations and reducing aged recommendations. SSA has significantly reduced the number of aged recommendations 2 years and older, and continues to focus leadership attention and track progress on all recommendations until they are implemented or otherwise properly closed.

Audit of the Social Security Administration's FY 2003 Financial Statements: In accordance with the Chief Financial Officer's Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers LLP (PwC). The objective of this audit was to determine whether the financial statements present fairly, in all material respects, the financial position of SSA. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The PwC audit report is at page 167 of the FY 2003 Performance and Accountability Report.

Highlights of Financial Position

Overview of Financial Data

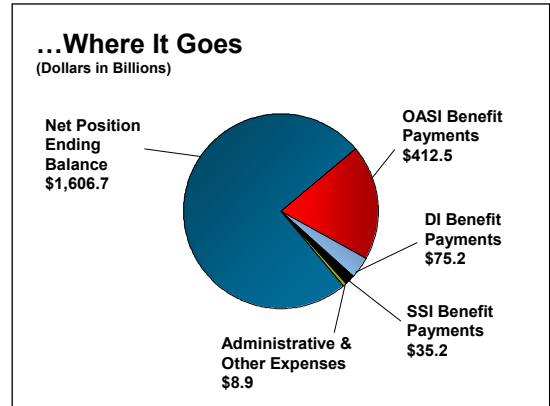
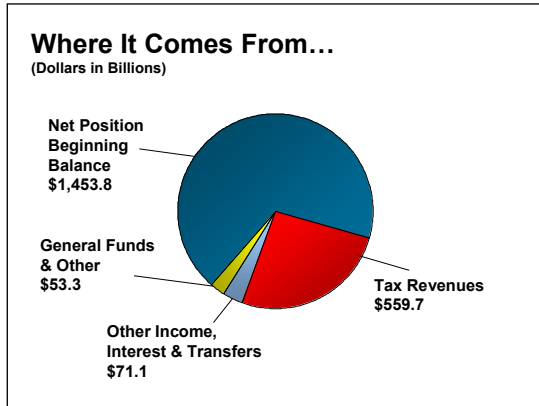
SSA's financial statements and footnotes appear on pages 145 through 192. The financial statements presented in this report can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers LLP. 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 trust funds which are financed by payroll taxes, interest on trust fund 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 146 reflects total assets of \$1,668.9 billion, a 10.2 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$151.2 billion growth (10 percent) in investments from 2003 is primarily due to tax revenues of \$559.7 billion and interest on those investments of \$87.6 billion, exceeding cost of operations of \$531.4 billion. The majority of our liabilities, 83 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 2004 by \$1 billion (1.5 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$152.9 billion or 10.5 percent to \$1,606.7 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 57.9 percent of the growth of the trust fund, up from 54.3 percent in 2003.

Statement of Net Cost: Net cost of operations increased \$22 billion or 4.3 percent from \$509.4 billion in 2003 to \$531.4 billion in 2004. Of this increase, \$21.8 billion (4.4 percent growth) resulted from increased benefit payments and \$0.3 billion (3.5 percent growth) resulted from operating expenses. The net cost and benefit payments of the OASI program both grew 3.7 percent while operating expenses grew by 2.3 percent. The number of OASI beneficiaries grew 1 percent to 39.6 million while average benefit payments grew by 3 percent to \$869 per month. The net cost and benefit payments of the DI program both grew by 7.7 percent. Operating expenses grew by 8.6 percent. The number of DI beneficiaries grew by 0.5 percent while average benefits increased 0.4 percent to \$733 per month. The SSI benefit payments increased 6.0 percent which was higher than the 5.8 percent increase in net costs because operating expenses were constant. The number of SSI beneficiaries grew by 1.5 percent while average benefits increased by 2.1 percent to \$564 per month.

Statement of Changes in Net Position: The Statement of Changes in Net Position reflects an increase of \$152.9 billion. This increase is primarily attributable to a \$151.2 billion increase in trust fund reserves. 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 2004 and how these funds were used. These statements are displayed on pages 147 and 148, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves 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 shown, as a percent of benefit expenses, is 1.7 percent. Total financing sources grew by \$19.5 billion or 2.9 percent from \$664.8 billion in 2003 to \$684.4 billion in 2004. The primary sources for this growth were a payroll and income tax revenue increase of \$12.9 billion (2.4 percent) from 2003 and investment income of \$3.4 billion (4.0 percent) from 2003. The growth in investment income was due to the 10.2 percent growth in investment which was partially offset by the drop of average interest yield from 6.52 percent to 6.25 percent.

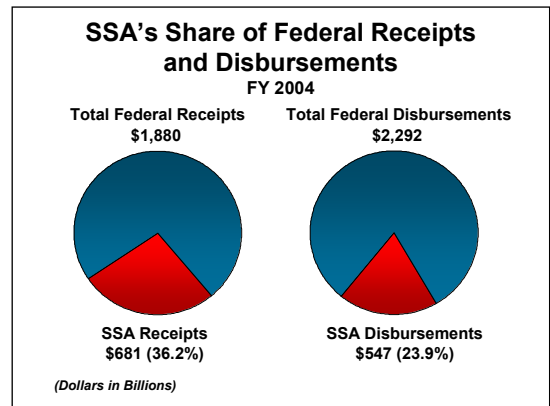


Statement of Budgetary Resources: This statement displayed on page 149 shows that SSA had \$562.9 billion in budgetary resources of which \$2.1 billion remained unobligated at year-end. SSA recorded total outlays of \$530.3 billion by the end of the year. Budgetary resources grew \$24.3 billion, or 4.5 percent from 2003, while outlays increased \$22.3 billion, or 4.4 percent.

Statement of Financing: This statement reconciles “Total resources used to finance activities,” an expression of budgetary spending, with the “Net cost of operations,” the proprietary expenses of the Agency. The statement displayed on page 150 identifies \$530.6 billion in budgetary spending for FY 2004, an increase of \$20.7 billion or 4.1 percent over last year. This total is offset by \$0.5 billion in resources not part of the net cost of operations, and is increased by \$0.4 billion in components of net cost of operations that will not require or generate resources in the current period. The resulting balance reflects a \$531.5 billion net cost of operations for the year, an increase of \$22 billion or 4.3 percent over FY 2003.

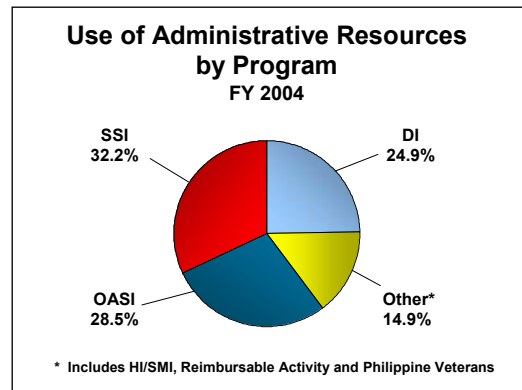
SSA’s Share of Federal Operations

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 36.2 percent of the \$1.9 trillion in total Federal receipts, a decrease of 1.7 percent over last year. Disbursements stayed the same at 23.9 percent of Federal disbursements.



Use of Administrative Resources

The chart to the right displays the use of administrative resources for FY 2004 in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise only 21.1 percent of the total benefit payments made by SSA, they consume over 57.2 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 2003 use of administrative resources by program was 28.8 percent for the OASI program, 23.8 percent for the DI program, 32.4 percent for the SSI program and 15.0 percent for Other.



Trust Fund Solvency

Pay-as-you-go-Financing

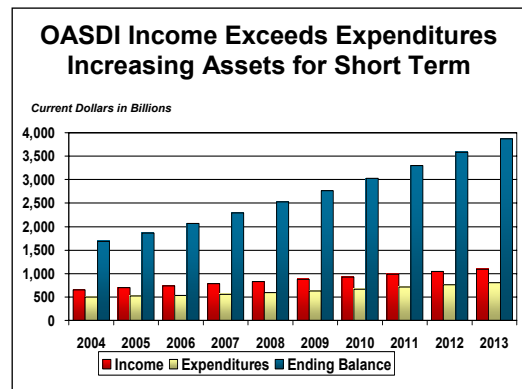
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis as long as assets (including current income and Trust Fund holdings) are sufficient to finance program obligations. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. In recent years, current income has exceeded program obligations, and thus the Trust Fund holdings have been growing. The following table shows that Trust Fund holdings, expressed in terms of the number of months of program obligations that these holdings could finance has grown from 27.9 months at the end of FY 2000 to 38.2 months at the end of FY 2004, an increase of 37 percent.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	2000	2001	2002	2003	2004 ¹
OASI	28.7	31.8	35.0	37.7	40.4
DI	22.8	24.6	25.9	26.6	26.7
Combined	27.9	30.8	33.6	36.0	38.2

1. Estimates are based on 2004 Trustees Report intermediate assumptions.

Short Term Financing

The Social Security Trust Funds are deemed adequately financed for the short term when actuarial estimates of Trust Fund holdings for the beginning of each year are at least as large as program obligations for the year. Estimates in the 2004 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. The graph shows that while combined OASDI expenditures and income are expected to increase by 69 and 73 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 153 percent to \$3.9 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 2018, benefit payments will exceed tax revenues, and, in 2042, the Trust Fund 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 below population replacement rates. In present value terms, the 75 year shortfall is \$3.7 trillion, which is a \$200 billion increase from the 2003 estimate. 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 returns through either personal savings accounts or direct investments of the trust funds.

Page 38 provides additional discussion of the long term solvency of the OASDI Trust Fund. Pages 174 through 192 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, Accounting for Social Insurance.

Improper Payments Information Act of 2002

Narrative Summary of Implementation Efforts for FY 2004 and Agency Plans for FY 2005-FY 2007

Background

A key component of the President's Management Agenda is the initiative to reduce improper payments. The Improper Payments Information Act of 2002 (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in those programs that are susceptible to significant improper payment and the actions they are taking to reduce such payments. IPIA has extended the improper payments reporting requirements beyond those programs and activities listed in the former Section 57 of Office of Management and Budget (OMB) Circular A-11.

On August 28, 2003, OMB issued their decision that only avoidable overpayments are to be included in the amount of improper payments reported under IPIA. Under this decision, payments resulting from legal or policy requirements are considered unavoidable and are not improper. OMB guidance on implementation of IPIA calls for SSA to continue to report on improper payments information for the OASI and DI programs, in addition to the SSI program, as was required by Section 57 of OMB Circular A-11. SSA is to continue to report on the improper payments found in the OASI and DI programs even though the level of such payments in these programs have continually been well below the threshold cited in IPIA. The OMB guidance also calls for the FY 2004 Performance and Accountability Report to include the most recently available data in reducing improper payments. Due to timing of the payment accuracy analysis, SSA's FY 2004 report includes results for FY 2003. Please refer to the Appendix for a detailed report of the FY 2003 results and plans to reduce improper payments.

OMB guidance on IPIA requires the evaluation of all payment outlays beyond the OASI, DI and SSI programs that SSA administers. SSA has 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. More information on the evaluation of improper payments is provided in the Appendix of the report.

Recovery Auditing

In FY 2004, SSA initiated recovery auditing of contractor payments in accordance with Section 831 of the Defense Authorization Act for Fiscal Year 2002 which requires agencies that enter into contracts with a total value in excess of \$500 million in a FY initiate a program to identify and recover payment errors. SSA hired auditing firm PRG Shultz and the recovery auditing effort began in January 2004. Preliminary management reports from the contractor do not indicate any significant recovery activity. Only .0006 percent, or about \$20,000, of the \$3.3 billion payments reviewed has been deemed improper and has been collected. The vendor will conclude their review in December 2004. Please refer to the Appendix for a detailed report on SSA's recovery auditing initiative.

Agency Efforts and Future Plans

SSA's OASI, DI and SSI quality assurance (QA) payment accuracy (Stewardship) reviews provide the data to measure the payment outlays in these programs each fiscal year. The OASDI accuracy rate continues to exceed 99.8 percent for both overpayments and underpayments. Even though we have achieved this high accuracy rate, we still strive to make additional achievements in payment accuracy. The detailed report on SSA's efforts to reduce improper payments identifies the major causes of improper payments over the past several years in the OASI and DI programs and the actions the Agency has taken to address these causes.

In the SSI program, SSA has established a 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. Success in achieving the SSI goal is dependent on the effectiveness of the activities outlined in SSA's SSI Corrective Action Plan. In FY 2003, SSI payment accuracy results were 93.9 percent for overpayments and 98.8 percent for underpayments. The major causes of SSI overpayments in FY 2003 were wages and financial accounts (such as savings and checking accounts). The major causes of SSI underpayments in FY 2003 were wages, in kind support and maintenance and living arrangements.

OASI Improper Payment Initiatives

- Beginning in FY 2000, the Annual Earnings Test (AET) no longer applied to beneficiaries who are at the full retirement age or older.
- For the past several years, SSA implemented initiatives to correct computation errors in benefit payments. These efforts affected more than 1 million beneficiaries and \$4 billion in past and future benefits.
- In the relationship/dependency area, SSA redesigned its student eligibility process.
- Improvements were made to wage and self-employment earnings reports by modifying the Social Security Statement and increasing electronic filing of W-2's.
- SSA is developing software processes to identify missing military service (MS) wage credits and to remove MS credits that were incorrectly granted. The processes involve reviewing the military employer identification numbers used in SSA's earnings records, verifying SSA's MS information against other government databases and developing MS profiles using SSA's data stores. Subsequently, SSA will pay any underpayments that are due beneficiaries and collect overpayments identified by the new processes.

DI Improper Payment Initiatives

- A Substantial Gainful Activity (SGA) software tool is available in every field office to ensure proper handling of SGA cases.
- Correction of workers compensation (WC) errors, the leading cause of DI underpayments for FY's 1999 through 2003, continues through dedication of SSA's Operations staff to rework affected cases. In addition, a major OASDI software release in June 2004 provides more automated tools to assist in the cleanup effort.
- The Agency is working with State governments to improve the current paper-based process to report death data. Electronic Death Reporting (EDR), a web-based automation of the death registration process, would provide timely and accurate death data. Currently, three States are providing EDR online to SSA and two more States are scheduled to be added by the end of September 2004.

SSI Improper Payments Initiatives

- In FY 2004, SSA completed a test to determine the feasibility of implementing monthly wage reporting using touch-tone and telephone technology. Results of the test are pending which will be the basis to decide whether to proceed with this technology that offers the opportunity to prevent SSI wage overpayments estimated at \$487 million in FY 2003.
- To further improve SSI payment accuracy, the Foster Care and Independence Act of 1999 gives the Commissioner the authority to require SSI recipients to provide authorization for SSA to obtain any and all financial institution records. 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 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. Thus far, the proof of concept is demonstrating the financial community's support of this process. In addition, verification requests are being returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. Upon Agency review of the proof of concept final report, it will be determined whether to proceed with systems development to automate the bank account verification process in future fiscal years. SSI financial account issues accounted for a projected \$453 million in overpayment deficiencies for FY 2003.
- Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. In an effort to learn quickly about unreported work, SSA is exploring the usefulness of a quarterly match with the "new hires" OCSE file. Improper SSI payments due to living arrangements and in-kind support and maintenance result from recipients not reporting changes in their household living situations or changes in the recipient's contributions to household expenses. This is a complex area where recipient understanding of reporting requirements is very difficult to address. For this reason a portion of the annual SSI redetermination workload is targeted to addressing improper payments due to living arrangement changes. The redetermination process is the most powerful tool available to SSA for preventing and detecting all types of SSI improper payments, including those due to living arrangements and in-kind support and maintenance. To detect improper SSI payments, SSA regularly reviews cases that statistical profiles indicate are most likely to be in error.

Limitation on Financial Statements

The principal financial statements beginning on page 146 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

Federal Managers' Financial Integrity Act

Federal Managers' Financial Integrity Act (FMFIA) Program

SSA has a well established agencywide 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. For the first time, in FY 2004 the Agency's highest level executives were 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 they be reported to the President and the Congress. This has enhanced executive accountability and provided an additional basis for the Commissioner's annual assurance statement included in the transmittal letter to this report.

When a major control weakness is identified in the Agency, it is considered by the Agency's Executive Internal Control (EIC) Committee to determine if the weakness should be considered a material weakness and thus submitted to the Agency head for final determination. The 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. The Committee provides executive oversight of the management control program, addresses management control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan. The Committee also provides recommendations for improvement in those areas to the Agency head.

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.

The controls of the new or changed processes or systems are monitored to ensure they remain 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 Office of Management and Budget (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 agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each fiscal year (FY). The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 2004, SSA's managers and contractors conducted reviews of 215 FOs and 5 Program Service Centers (PSC). During FY 2004, SSA's Office of Hearings and Appeals (OHA) initiated a management control review program conducting reviews of three of its field offices. During FY 2005, the Agency plans to expand this review program by conducting reviews of at least 28 OHA offices by SSA's managers or an independent contractor.

SSA has also taken great strides to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). During FY 2004, SSA has continued to improve the DDS Security Document which requires each DDS to prepare a security plan and, on an annual basis, perform a self review using the Security Review Checklist prepared by SSA. Additionally, SSA's Regional Offices (RO) perform an independent security review 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 2004, SSA conducted reviews of fifteen 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, processing centers, five ROs, 25-30 FOs and selected PSCs. 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 2004, SSA's contractor conducted detailed reviews of SSA's Cost Analysis System, Property Accountability System and Travel Manager System. The contractor also conducted a vulnerability and risk assessment of SSA's National Computer Center and assisted systems managers in the certification and accreditation of SSA's general support systems and major application systems by performing risk-based vulnerability analyses, assessing the status of installed security controls and developing system security plans. The later effort was necessary in order for SSA to complete and submit its annual report required by the Federal Information Security Management Act (FISMA). The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations or Federal standards. However, SSA is addressing the weaknesses found and will monitor those until corrected.

Federal Financial Management Improvement Act

On June 28, 2004, the Commissioner determined that SSA's financial management systems were in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) for FY 2003. In making this determination, she considered all the information available, including the auditor's opinion on the Agency's FY 2003 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. She also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor and the progress made in addressing the weaknesses identified in the audit and review reports. That progress is discussed in the section below entitled "Financial Statement Audit."

Under Section 803(c)(2) of FFMIA, the determination for FY 2004 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the final management letter report(s) for the FY 2004 audit in February 2005.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts 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 self-assessment methodology was consistent with established FISMA requirements. SSA's Office of Inspector General (OIG) also performed an independent review of SSA's compliance with FISMA and concluded that, with the exception of procedural areas needing improvement, SSA had complied with FISMA requirements. SSA submitted its annual FISMA report to OMB on October 5, 2004.

Financial Statement Audit

The OIG contracted for the audit of SSA's FY 2004 financial statements. The auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects. Although the auditor identified a reportable condition involving internal controls in FY 2004, it was not identified as material weakness as defined by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02.

The reportable condition reads "SSA needs to further strengthen controls to protect its information." The auditor indicated that SSA had made significant progress in addressing information protection issues raised in prior years. The auditor particularly noted that SSA had improved physical security for the Disability Determination Services sites, continued to enhance continuity of operations activities, continued progress in implementing a program to monitor and control system user access requirements, and continued progress on implementing dataset naming standards.

Although the auditor noted significant progress in strengthening security controls, it also recommended that SSA continue its efforts to enhance information protection by continuing to implement the remaining portions of the Standardized Security Profile Project and through the establishment and refinement of procedures to ensure standard security configurations for distributed servers. SSA will continue to work with the auditor to make those improvements.

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 governmentwide and nine agency specific areas that need to be revamped to better serve the American people. One of the five governmentwide targets is to improve financial performance by ensuring that (1) Federal financial management systems produce accurate, timely and useful information to support operating, budget and policy decisions and (2) agencies manage and reduce the extent of improper payments in Federal programs.

OMB issued scorecard standards for success for each of the five PMA initiatives. In order for an agency to be considered in the "green" category (which is the best) for the "Improved Financial Performances" initiative, they must satisfy the following core criteria:

- FMS meet Federal FMS requirements and applicable Federal accounting and transaction standards as reported by the agency head.
- Accurate and timely financial information.
- Integrated financial and performance management systems supporting day-to-day operations.
- Unqualified and timely audit opinion on the annual financial statements and no material weaknesses on internal controls reported by the auditors.

SSA's status for the "Improved Financial Performance" initiative is green and we have also been rated green for "progress" on OMB's latest scorecard. The Agency's goal is to maintain the green status and to achieve the milestones established for improvement.

Financial Management Performance

A major challenge facing SSA is to maintain the green status in financial management in the PMA and green status in progress. We achieved that status due to our integrated financial and performance systems that allow SSA managers to routinely assess financial and performance information to make day-to-day decisions. That status is also due to the Agency receiving an unqualified opinion on its financial statements with no material weaknesses cited by the auditor; having financial systems compliant with Federal law; and demonstrating to OMB that SSA uses accurate and timely information to manage the Agency.

SSA considers it a matter of great importance to improve the administration of the Supplemental Security Income (SSI) program. We have developed a corrective action plan approved by OMB to improve the management and integrity of the program and many of the actions have been completed. The improvements made were sufficient to cause the Government Accountability Office to remove the SSI programs from its high-risk list in FY 2003. We are continuing our efforts to improve management by improving prevention of overpayments, increasing overpayment detection and increasing collection of debts. For more information on this effort see the Improper Payments discussion in the Highlights of Financial Position section of the PAR and in the Appendix.

SSA has completed the first year of use of its new web-based accounting system, the Social Security Online Accounting and Reporting System (SSOARS). It was implemented on October 1, 2003 as SSA's system of record. SSOARS is a commercial off-the-shelf Joint Financial Management Improvement Program certified financial accounting system. SSOARS encompasses the Agency's core accounting functions, such as general ledger, funds control, budget execution, accounts receivable, accounts payable and reporting. Our next challenge is to provide for the interfaces of selected administrative systems with SSOARS and that activity has begun with the completion of feasibility studies for that interfacing.

SSA continues to meet the challenges of timely and accurate financial reporting. During this year, SSA produced quarterly financial statements and submitted them to OMB by the established target dates and met the required delivery date for the FY 2004 PAR, including the annual financial statements, 45 days after the ending of the fiscal year. We will continue to improve our procedures for assembling, analyzing and reporting financial information on a timely basis. The accuracy of our data has been confirmed by eleven successive unqualified, or clean, opinions on our annual financial statements and the receipt of our sixth consecutive Association of Government Accountant's Certificate of Excellence in Accountability Reporting for the Agency's FY 2003 PAR.

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. Accordingly, the FMS inventory may change from year to year depending on the progress made in modernization projects. In FY 2004, SSA utilized the following active FMS:

Program Benefits

- Title II System
- Retirement, Survivors and Disability Insurance (RSDI) Accounting System
- Supplemental Security Income (SSI) Records Maintenance System
- Earnings Record Maintenance System
- Social Security Number Establishment and Correction System

Debt Management

- Debt Management System (DMS)
- Recovery of Overpayments, Accounting and Reporting System (ROAR)

Financial/Administrative

- Social Security Online Accounting and Reporting System (SSOARS)
- Cost Analysis System (CAS)
- Supply System
- Property Accountability System
- SSA Streamlined Acquisition System

SSA continues the long term development of its FMS following a defined strategy. In the Program Benefits category, SSA is almost continuously involved in streamlining the systems and incorporating new legislative requirements. The major effort in this category is to eventually subsume the RSDI Accounting System into the umbrella Title II System. The goal in the Debt Management category is to have a single DMS incorporating both RSDI and SSI debt programs. The major project in the Financial/Administrative category was the roll out of SSOARS on October 1, 2003

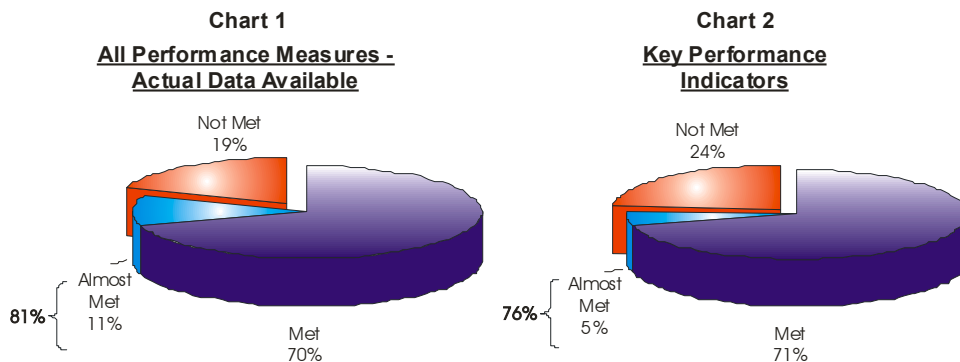


Performance Section

GPRA Performance Results

Summary of Achievement - FY 2004 Performance Goals

A summary of the Agency's achievements in the Government Performance and Results Act (GPRA) performance goals is highlighted in the following charts. Several performance measures do not have actual end-of-year data available. In these instances, the Agency has indicated when the final data will be available. The Agency has developed end-of-year estimates to report in the interim for these measures. Where end-of-year estimates are used, the FY 2004 PAR clearly indicates that they are "estimates" and that the actual performance data will be reported in the FY 2005 PAR. Chart 1 shows that for the 37 measures for which actual end-of-year data was available, SSA met 26 of the goals, or 70 percent, and almost met an additional 4 goals or 11 percent – for a total of 81 percent for these two categories. The Agency did not meet 7 of its goals, representing 19 percent of the performance measures where actual data was available. Looking at the Key Performance Indicators (KPI) in Chart 2, the Agency met 12 of its 17 goals, or 71 percent, and almost met one goal or 5 percent – for a total of 76 percent for these two categories. There were 4 KPIs that the Agency did not meet, representing 24 percent of the key performance indicators.



The performance data presented in this report are in accordance with the guidance provided by the Office of Management and Budget (OMB). The Data Quality discussion in the Performance Goals and Results section of "Management's Discussion and Analysis" (page 66) describes continuing efforts to strengthen the quality and timeliness of SSA's performance information to increase its value to SSA's management and interested parties. SSA's managers routinely use this performance data to improve the quality of program management and to demonstrate accountability in achieving program results. Some measures will not have FY 2004 final data in time for the publication of the FY 2004 Performance and Accountability Report (PAR). The results achieved for each FY 2004 goal are either discussed in this report or will be included in the FY 2005 PAR.



STATUS OF FY 2004 PERFORMANCE MEASURES BY GOAL AND OBJECTIVE








This table provides an overview of all performance measures and shows which goals were "met," or "not met." The table also indicates where the Agency almost met a goal (i.e., within 95 percent of the goal). The measures are organized under the objectives they support; each objective has one or more performance measures. A summary is included for each objective, which gives a comprehensive overview of the performance for the measures that support it. The sub-set of measures that have been selected as Agency Key Performance Indicators (KPI) are also identified. There is a page number reference for a detailed discussion of that performance measure.

Strategic Goal A: To deliver high quality, citizen-centered Service

<p>KPI — denotes that the measure is one of the Agency’s 17 Key Performance Indicators</p>	
<p style="text-align: center;">Target Measure:</p> <p> Met Almost met (i.e., within 95 percent of the goal) Not Met </p>	Performance Summary
Objective 1: Make the right decision in the disability process as early as possible	
<p>1.1 Number of initial disability claims processed by DDS (See p. 45)</p> <p>KPI Goal: 2,485,000 Actual: 2,574,848</p>	
<p>1.2 Number of SSA hearings processed (See p. 46)</p> <p>KPI Goal: 538,000 Actual: 497,379</p>	
<p>1.3 Average processing time for initial disability claims (See p. 47)</p> <p>KPI Goal: 97 days Actual: 95 days</p>	
<p>1.4 Average processing time for hearings (See p. 48)</p> <p>KPI Goal: 377 days Actual: 391 days</p>	
<p>1.5 Number of initial disability claims pending (See p. 49)</p> <p>KPI Goal: 582,000 Actual: 624,658</p>	
<p>1.6 Number of SSA hearings pending (See p. 50)</p> <p>KPI Goal: 586,000 Actual: 635,601</p>	
<p>1.7 Number of appellate actions processed (See p. 90)</p> <p>Goal: 996,500 Actual: 1,019,007</p>	
<p>1.8 DDS net accuracy rate (allowances and denials combined) (See p. 91)</p> <p>Goal: 97% Estimate: 96.5%</p>	
<p>1.9 Hearings decision accuracy rate (See p. 92)</p> <p>Goal: 90% Estimate: 90%</p>	
<p>1.10 Average processing time for decisions on appeals of hearings (See p. 93)</p> <p>Goal: 275 days Actual: 251</p>	
<p>Results for this Objective: SSA met or almost met seven of these goals. Detailed information on these successes can be found in the sections pertaining to each performance measure.</p> <p>SSA did not meet three of these goals. Two of the goals (1.2 and 1.6) that were not met are tied to SSA’s inability to hire Administrative Law Judges because of the <i>Azdell</i>* litigation. Plans for addressing Agency shortcomings in these areas can be found in the sections pertaining to each performance measure.</p>	







* In 1997, two applicants for ALJ positions filed an appeal with the Merit Systems Protection Board (MSPB). This case, *Azdell v. Office of Personnel Management (OPM)*, challenged the veterans preference formula that OPM was using to score the ALJ examination. In April 1999, the MSPB issued an initial decision finding that the scoring system did violate the Veterans Preference Act. Beginning in April 1999, SSA was no longer able to hire ALJs. This inability continued through various appeals and legal actions until September 2001, when the MSPB allowed SSA to hire 126 new ALJs in FY 2002.

Objective 2: Increase employment for people with disabilities			
2.1	Percent increase in the number of DI and SSI beneficiaries, with tickets assigned, who work (See p. 94)		Results for this Objective: SSA does not expect to meet the goal for measure 2.2. The Ticket-to-Work program will eventually have a significant effect on the attainment of this objective, but it may take several years to see the full effect. Additional plans for addressing Agency shortcomings in this area can be found in the section pertaining to the performance measure.
	Goal: 20% Estimate: 20%		
2.2	Percent increase in the number of SSI disabled beneficiaries earning at least \$100 per month (see p. 95)		
	Goal: 5% Estimate: -1.8%		



Objective 3: Improve Service with Technology			
3.1	Usage of electronic entitlement and supporting actions (See p. 52)		Results for this Objective: SSA met all of the goals associated with this objective. The Agency continues to promote efficient use of the Internet to conduct business through filing of applications and postentitlement actions. The Agency also continues to support the employer community in its efforts to convert to electronic filing of wage reports. Increased telephone network efficiency helped meet increased workload demands. Detailed information on Agency successes can be found in the sections pertaining to each performance measure.
KPI	Goal: 328,398 (50% growth over FY 2002 baseline) Actual: 611,266 (179.2% growth over FY 2002 baseline)		
3.2	Percent of employee reports (W-2s) filed electronically (See p. 53)		
KPI	Goal: 55% Actual: 60%		
3.3	Percent of people who do business with SSA rating the overall service as “excellent,” “very good,” or “good” (See p. 54)		
KPI	Goal: 83% Actual: 84.2%		
3.4	Retirement and Survivors Insurance (RSI) claims processed (See p. 96)		
	Goal: 3,285,000 Actual: 3,399,471		
3.5	800-number calls handled (See p. 97)		
	Goal: 52,000,000 Actual: 53,200,000		
3.6	Percent of callers who successfully access the 800-number within 5 minutes of their first call (See p. 98)		
	Goal: 94% Actual: 95.6%		
3.7	Percent of callers who get through to 800-number on first attempt (See p. 98)		
	Goal: 87% Actual: 94.2%		




Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

Objective 4: Prevent fraudulent and erroneous payments and improve debt management










4.1	SSI non-disability redeterminations (See p. 55)			<p>Results for this Objective: SSA met or almost met all the goals associated with this objective. The timely processing of redeterminations and CDRs, which are used to detect improper payments, contributed to the Agency's success in this area. Continued use of debt recovery tools allowed the Agency to collect substantial amounts of OASDI debt. Detailed information on Agency successes can be found in the sections pertaining to each performance measure.</p>
KPI	Goal: 2,210,000	Actual: 2,278,566		
4.2	Periodic Continuing Disability Reviews (CDR) processed (See p. 56)			
KPI	Goal: 1,537,000	Actual: 1,604,680		
4.3	Percent of outstanding OASDI debt in collection arrangement (See p. 57)			
KPI	Goal: 38%	Actual: 42.2%		
4.4	Percent of outstanding SSI debt in collection arrangement (See p. 100)			
	Goal: 55%	Actual: 53.5 (May – September)		
4.5	Percent of SSI payments free of preventable overpayments and underpayments (See p. 101)			
	Goal: 95.4% (Overpayments) 98.8% (Underpayments)	Estimate: 93.9% (Overpayments) 98.8% (Underpayments)		
4.6	Percent of OASDI payments free of overpayments and underpayments (See p. 102)			
	Goal: 99.8% (Overpayments) 99.8% (Underpayments)	Estimate: 99.8% (Overpayments) 99.8% (Underpayments)		

Objective 5: Strengthen the integrity of the SSN

5.1	SSN requests processed (See p. 104)			<p>Results for this Objective: SSA met both the goals associated with this objective. Detailed information on Agency successes can be found in the sections pertaining to each performance measure.</p>
	Goal: 17,500,000	Actual: 17,791,880		
5.2	Percent of SSNs issued that are free of critical error (See p. 105)			
	Goal: 99.8%	Estimate: 99.8%		


Objective 6: Increase the accuracy of earnings records			
6.1 Annual earnings items processed (See p. 106)			Results for this Objective: SSA almost met one of the goals but did not meet the other two goals associated with this objective. The number of annual earnings items processed is dependent on the number of earnings items reported. The Agency's ability to reduce the size of the earnings suspense file was dependent upon computer program enhancements. Delays in implementing these enhancements contributed to the Agency not meeting this goal. Detailed information on how SSA plans to meet this goal can be found in the section pertaining to each performance measure.
Goal: 262,500,000	Actual: 251,853,503		
6.2 Reduction in the size of the earnings suspense file (See p. 107)			
Goal: 27,600,000	Actual: 7,896,263		
6.3 Percent of incoming earnings items removed from the suspense file at the end of the annual earnings posting cycle (See p. 108)			
Goal: 5%	Actual: 2.07%		

Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

7.1	Disability Determination Service (DDS) cases processed per workyear (PPWY) (See p. 58)			Results for this Objective: The Agency met or almost met seven of the nine goals. There were notable successes. For example, all productivity targets were met. The Agency also maintained its record of zero outside infiltrations of its programmatic mainframes. Detailed information on Agency successes in this area can be found in the sections pertaining to each performance measure.
KPI	Goal: 272	Actual: 272.6		
7.2	“Get to green” on all five PMA initiatives (See p. 59)			
KPI	Goal: Achieve an overall status rating of “green” on four of five PMA initiatives	Actual: Achieved an overall status rating of “green” on three of five PMA initiatives		
7.3	Percent improvement in Agency productivity (See p. 109)			
	Goal: 2%	Actual: 2.2%		
7.4	Number of SSA hearings cases processed per workyear (PPWY) (See p. 110)			
	Goal: 105	Actual: 100.2		
7.5	Milestones to get to “green” in competitive sourcing (See p. 111)			
	Goal: Develop a “yellow” plan	Actual: “Yellow” plan completed		
7.6	Maintain zero outside infiltrations of SSA’s programmatic mainframes (See p. 112)			
	Goal: 0 infiltrations	Actual: 0 infiltrations		
7.7	Efforts to improve financial performance (See p. 113)			
	Goal: SUMS/MCAS Milestones	Actual: Not all milestones completed		
7.8	Receive an unqualified opinion on SSA’s financial statements from the auditors (See p. 115)			
	Goal: Receive an unqualified opinion	Actual: Received an unqualified opinion		
7.9	SSI Aged claims processed per workyear (PPWY) (See p. 115)			
	Goal: 530	Actual: 560		





Strategic Goal C: To achieve sustainable Solvency and ensure Social Security programs meet the needs of current and future generations

Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

<p>8.1 Provide support to the Administration and Congress in developing legislative proposals to achieve sustainable solvency for Social Security and implementing reform legislation (See p. 61)</p>			<p>Results for this Objective: SSA met the one goal that was measured. The Agency provided the Administration and Congress with a wide range of analyses on solvency issues and reform legislation.</p>
<p>KPI Goal: Milestone</p>	<p>Actual: Completed</p>		
<p>8.2 Percent of adult Americans knowledgeable about Social Security programs and related issues, including long-range financing (See p. 116)</p>		<p>N/A</p>	<p>SSA will conduct an annual survey of the American public in late FY 2004, and the results will be available in early FY 2005. Findings will be used to establish a baseline of knowledge so that the Agency can develop an appropriate measure and goal.</p>
<p>Goal: Not Established</p>	<p>Actual: Not Measured</p>		

Strategic Goal D: To strategically manage and align Staff to support SSA's mission

Objective 9: Recruit, develop, and retain a high-performing workforce

<p>9.1 Improve the new hire retention rate (See p. 64)</p>			<p>Results for this Objective: SSA met all the performance goals. The Agency exceeded the new hire retention rate and implemented its GS-15 performance plan. SSA substantially exceeded the goal for job enrichment opportunities and made 47.8 hours of training available to all employees.</p>
<p>KPI Goal: 84.9%</p>	<p>Actual: 89.9%</p>		
<p>9.2 Milestones in developing new performance management systems (See p. 65)</p>			
<p>KPI Goal: Implement GS-15 Plan</p>	<p>Actual: GS-15 plan implemented October 1, 2003</p>		
<p>9.3 Number of job enrichment opportunities (includes Headquarters, component and regional development programs) (See p. 117)</p>			
<p>Goal: 3% of workforce</p>	<p>Actual: 8.2%</p>		
<p>9.4 Make available the equivalent of 40 hours of training annually to all employees (See p. 118)</p>			<p>Detailed information on Agency success in this area can be found in the sections pertaining to these performance measures.</p>
<p>Goal: 40 hours</p>	<p>Actual: 47.8 hours</p>		

Program Assessment Rating Tool (PART) Measures			
Average processing time for initial disability claims (See p. 47)		↑	<p>Results for the PART measures: SSA met or almost met all of the PART measures. There were notable successes in FY 2004. Detailed information on these successes can be found in the sections pertaining to each performance measure.</p> <p>The two hearing measures that were not fully met are tied to SSA's inability to hire Administrative Law Judges because of the <i>Azdell</i>* litigation. Additional plans for addressing Agency shortcomings in these areas can be found in the sections pertaining to each performance measure.</p>
Goal: 97 days	Actual: 95 days		
Average processing time for hearings (See p. 48)		↗	
Goal: 377 days	Actual: 391 days		
Disability Determination Services (DDS) cases processed per workyear (PPWY) (See p. 58)		↑	
Goal: 272	Actual: 272.6		
DDS net accuracy rate (allowances and denials combined) (See p. 91)		↗	
Goal: 97%	Estimate: 96.4%		
Percent of SSI payments free of preventable overpayments and underpayments (See p. 101)		↗	
Goal: 95.4% (Overpayments) 98.8% (Underpayments)	Estimate: 93.9% (Overpayments) 98.8% (Underpayments)		
Number of SSA hearings cases processed per workyear (PPWY) (See p. 110)		↗	
Goal: 105	Actual: 100.2		
SSI Aged claims processed per workyear (PPWY) (see p. 115)		↑	
Goal: 530	Actual: 560		
Percent of SSI Aged claims processed by the time the first payment is due or within 14 days of the effective filing date (See p. 120)		↑	
Goal: 75%	Actual: 84.1%		

* In 1997, two applicants for ALJ positions filed an appeal with the Merit Systems Protection Board (MSPB). This case, *Azdell v. Office of Personnel Management (OPM)*, challenged the veterans preference formula that OPM was using to score the ALJ examination. In April 1999, the MSPB issued an initial decision finding that the scoring system did violate the Veterans Preference Act. Beginning in April 1999, SSA was no longer able to hire ALJs. This inability continued through various appeals and legal actions until September 2001, when the MSPB allowed SSA to hire 126 new ALJs in FY 2002.

Individual Performance Measure Results

This section reports SSA’s FY 2004 performance for each individual GPRA performance measure and PART measure. Additionally, this section reports final FY 2003 data for those performance measures that did not have final data when the FY 2003 Performance and Accountability Report (PAR) was issued. Performance measures are organized under the Strategic Goal and Strategic Objective that they support. For each GPRA performance measure, SSA includes the definition and data source and indicates whether the goal was met. If the goal was not met, an explanation is included explaining why and what actions the Agency will take toward improvement.

A discussion of SSA’s 17 Key Performance Indicators (KPIs) can be found in the “Performance Goals and Results” section (page 42), and therefore is not repeated in this section. Appropriate page references are made to the KPIs in the discussion of the other GPRA performance measures.

Strategic Goal A: To deliver high quality, citizen-centered Service

Strategic Objective 1: Make the right decision in the disability process as early as possible

The following lists six KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators	See page for detailed discussion
1.1 Number of initial disability claims processed by DDS	See page 45
1.2 Number of SSA hearings processed	See page 46
1.3 Average processing time for initial disability claims	See page 47
1.4 Average processing time for hearings	See page 48
1.5 Number of initial disability claims pending	See page 49
1.6 Number of SSA hearings pending	See page 50

The following describes the four non-KPI performance measures for Strategic Objective 1:

1.7 — Number of Appellate Actions Processed

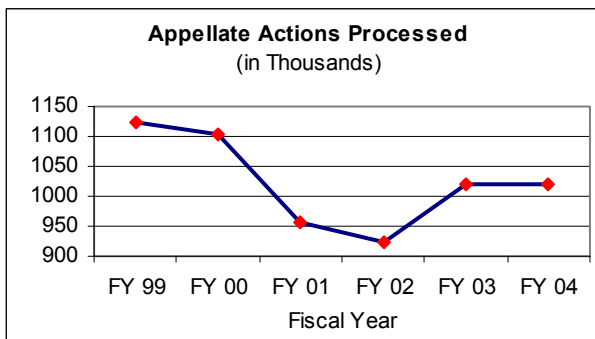
FY 2004 Goal: 996,500

Actual FY 2004 Performance: 1,019,007

SSA met its goal. At the beginning of the fiscal year, SSA focused its resources on the court level workloads to ensure that no backlogs existed in those areas. The Agency also continued to implement aspects of its new court case improvement plan to streamline the processing of this workload. Enhancements included improvements to tracking systems and the folder retrieval process. Once these mechanisms were in place, SSA shifted some resources back to the review level to increase the focus on processing of appeals. Increased overtime allocations allowed SSA to align resources better to meet the demands of both workloads. The Agency also implemented measures such as the establishment of a task force to locate missing folders needed to work many of its aged cases. Additional employees were hired to process cases at both the review and court levels.

In meeting this goal the Agency has enabled the public to receive more expeditious delivery of completed appeals. The Agency has also enhanced its image with the Federal courts by streamlining the processing of its court workloads. This goal is derived from budgeted dispositions which result from budgeted receipts. When incoming cases are lower than in previous years, as is the case this fiscal year, the goal also drops. SSA will continue to improve mechanisms already in place to ensure future *service* goals are met.

FY 1999:	1,124,442
FY 2000:	1,102,922
FY 2001:	957,858
FY 2002:	923,636
FY 2003:	1,019,815



Trend: In FYs 2001 and 2002, the number of appeals filed was lower than anticipated causing the Appeals Council to process more aged cases, which traditionally involve more complex issues and require more time to process. By screening incoming cases to identify those ready to process, the Appeals Council increased the number of appeals processed in FY 2003 to exceed the goal. The number of appellate actions processed this year is significantly above FYs 2001 and 2002 but slightly lower than where the Agency was in FY 2003.

Data Definition: SSA level reconsiderations, Appeals Council cases, new court cases and court remands are included in this count.

Data Source: Appeals Council Automated Processing System & SSA-Level Cost Accounting System.

1.8 — Disability Determination Services (DDS) Net Accuracy Rate (allowances and denials combined)

FY 2003 Goal: 97%

FY 2004 Goal: 97%

Actual FY 2003 Performance: 96.1%

SSA **almost met its goal**, but was just fractionally off the mark by 0.9 percent. SSA and the DDSs continue to focus on denial accuracy as a problematic area.

Estimated FY 2004 Performance: 96.5% *

SSA **expects to almost meet its goal based on available data through June 2004**. Historically this is a challenging goal. To date, the accuracy rate has improved over the actual FY 2003 rate of 96.1 percent despite the significant increase in the number of claims that were filed. This performance measure is heavily impacted by staffing issues (e.g., high attrition rates, high influx of inexperienced or newly trained examiners, hiring freezes due to funding restrictions, lengthy process involved in State hiring, etc.). SSA continues to work with the DDSs on a balanced approach to quality and productivity.

* The performance data shown for FY 2004 is an end-of-year estimate. Actual data will not be available until January 2005 and will be reported in the FY 2005 PAR.

Net accuracy is a true measure of the correctness of DDS decision making and therefore, provides the public with an accurate picture of the correctness of initial disability claims decisions. Processing disability claims timely and accurately is an Agency priority. SSA and DDS managers at all levels have placed a premium on productive and accurate claims processing. Effective management and service delivery by the dedicated DDS workforce result in efficient claims *service* that provides beneficiaries with replacement income and medical insurance.

FY 1999 – FY 2002: Not Available – This was a new measure for FY 2003.

Trend: Net accuracy is reported 4 months after performance to allow time for rebuttal of deficiencies. The 97 percent goal is very ambitious, particularly since allowance and denial accuracy rates are combined.

Data Definition: Net accuracy is an alternative method of reporting State agency accuracy based upon the “correctness” of the DDS disability determination. Net accuracy is based upon the net error rate that is defined as 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. Prior to 2003, SSA reported allowances and denials as separate numbers.

Data Source: Disability Quality Assurance Data Bases.

1.9 — Hearings Decision Accuracy Rate

FY 2003 Goal: 90%

FY 2004 Goal: 90%

Estimated FY 2003 Performance: 90%*

Estimated FY 2004 Performance: 90%*

SSA expects to meet its goal for the October 2002 through September 2004 report period based on past performance. Based on the attainment of prior goals for this performance measure, the Agency is confident that the goal will be met for the next report period. Administrative Law Judge (ALJ) participation in quality reviews of hearings decisions and involvement in the pre-effectuation reviews of allowances contributed to the goal being met.

The decision accuracy rate is a true measure of the correctness of decision making by ALJs and therefore, provides the public with an accurate picture of the correctness of hearing decisions. Processing the hearings workload accurately and timely is an Agency priority. SSA and the Office of Hearings and Appeals (OHA) are striving to meet the increasing workload demands so that the public continues to receive the *service* they deserve. SSA continues to develop a balanced approach to quality and productivity.

FY 1999 & 2000: 88%

FY 2001 & 2002: 90%

Trend: The hearings decision accuracy rate remained stable between FYs 2001 and 2002 and FYs 2003 and 2004, after an improvement from FYs 1999 and 2000.

Data Definition: The decisional accuracy rate is the percent of disability hearing decisions (both favorable and unfavorable) supported by “substantial evidence.” This is the standard used by the Federal courts to evaluate accuracy of decisions.

* The performance data shown for FYs 2003 and 2004 are estimates. Actual data will not be available until December 2005 and will be reported in the FY 2005 PAR. These are the ALJ Peer Reviews which are conducted every 2 years. After the reviews are completed, the analysis and accuracy rate is calculated by the Office of Quality Assurance.

Data Source: Biennial Disability Hearings Quality Review Process Peer Review Reports.

1.10 — Average Processing Time for Decisions on Appeals of Hearings (days)

FY 2004 Goal: 275 days

Actual FY 2004 Performance: 251 days

SSA met its goal. To meet this goal SSA continued to practice Differential Case Management, the process whereby incoming cases are reviewed to identify those claims that can be worked immediately. At the same time, SSA continued to focus on the processing of aged cases. The reduction of the processing time equates to improved service delivery in that claimants have a shorter waiting time for the processing of their appeals. The processing time goal was more challenging than in the prior year. This is because the Agency's aim has been to reduce the overall processing time for appeals and to provide better public service in this area. To ensure that future goals are met (and that further reduction in the overall production time is accomplished), SSA will process the remainder of its aged pending while continuing to streamline all other aspects of its operation.

Improving disability program *service* to the public, from initial filing to final administrative appeal, is one of SSA's highest priorities. The current process takes far too long, placing severe burdens on applicants and their families and an enormous drain on Agency resources. SSA is continuing to utilize all available resources to increase dispositions.

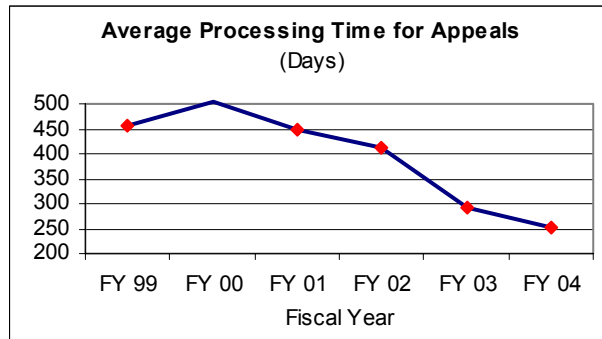
FY 1999: 458 days

FY 2000: 505 days

FY 2001: 447 days

FY 2002: 412 days

FY 2003: 294 days



Trend: During FYs 2001 and 2002, the number of appeals filed was lower than anticipated. In addition, a large number of incoming cases required pre-development (e.g., obtain claims files, furnish copies of exhibits to attorneys, etc.) before they were ready to process. Accordingly, the mix of new and aged cases being processed did not result in significant processing time decreases. Aged case task forces were utilized to process the oldest pending claims. In FYs 2003 and 2004, as the total number of pending aged cases declined, the overall processing time decreased correspondingly. The use of Differential Case Management and the continued focus on processing aged claims contributed to this success. FY 2004 performance is significantly better than in FYs 2001, 2002 and 2003.

Data Definition: This measure represents the 12-month average processing time for dispositions issued during the report period. Processing time begins with the date of the request and ends with the disposition date.

Data Source: Appeals Council Automated Processing System.

Strategic Objective 2: Increase employment for people with disabilities

The following describes the two non-KPI performance measures for Strategic Objective 2:

2.1 — Percent Increase in the Number of Disability Insurance (DI) and Supplemental Security Income (SSI) Beneficiaries, with Tickets Assigned, Who Work

FY 2003 Goal: Establish a baseline

FY 2004 Goal: 20% (3,271)

Actual FY 2003 Performance: 2,726 (Preliminary baseline)

Estimated FY 2004 Performance: 20% (3,271) *

SSA expects to meet its goal. SSA undertook broad actions to implement and promote the Ticket-to-Work Program, thereby increasing employment for people with disabilities. These actions include: (1) conducting outreach and marketing activities to educate the public about the Ticket program to facilitate entry into the workforce, (2) partnering with other public and private groups to remove employment barriers for people with disabilities, and (3) improving its process for making payment to Employment Networks on behalf of beneficiaries who are either working or participating in a plan to start work activity. The Agency also has cooperative agreements that provide work incentive planning and assistance and outreach to ticket holders in all 50 States. In addition, SSA has grants that provide a broad range of advocacy-related services to ticket holders; these services include providing information about vocational rehabilitation and other related employment services and advocacy that they may need to secure, maintain or regain gainful employment.

Many changes in law, medicine, technology and society have transpired since SSA's DI and SSI disability programs were established. The workplace has been made more accessible through advances in technology and legislation. Impairments that in the past may have been permanent or completely disabling can now be treated. These and other changes have altered the concept of disability. This measure supports the Agency's *service* goal by increasing employment for individuals with disabilities and by ensuring that all disabled recipients have the opportunity to learn and develop skills that help them return to work. SSA will continue to undertake comprehensive actions designed to educate employers and disability recipients about the benefits of the Ticket-to-Work program.

FY 1999 – FY 2002: Not Available – This was a new measure for FY 2003.

Trend: Trend information is not applicable until FY 2004 performance results are available.

Data Definition: In 2003, SSA established a preliminary baseline of 2,726 and an FY 2004 goal for this outcome measure. Actual performance levels are based on all recorded earnings information from various data sources for recipients who have assigned their tickets to Employment Networks (EN), i.e., signed an agreement with the EN for services. The data is provided on a calendar year basis.

Data Source: eWork CDR Database2, Disability Control File Verify Update Earnings Screen or Work and Earnings Reports field), Office of Child Support Enforcement, Master Earnings File, Office of Employment Support Programs, and project manager program data.

* The performance data shown for FY 2004 is an end-of-year estimate. Actual data will not be available until February 2005 and will be reported in the FY 2005 PAR.

2.2 — Percent Increase in the Number of Supplemental Security Income (SSI) Disabled Beneficiaries Earning at least \$100 per Month

FY 2003 Goal: 8% (269,109)

FY 2004 Goal: 5% (243,464)

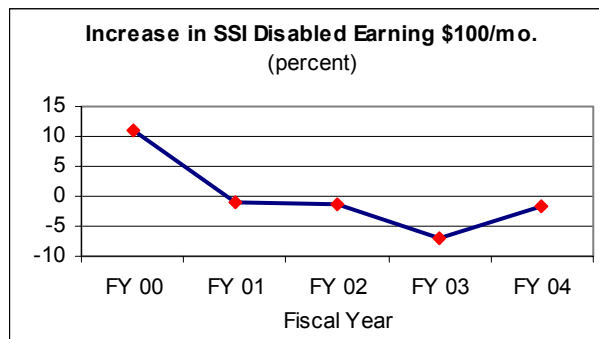
Actual FY 2003 Performance: -6.9% (231,870)

Estimated FY 2004 Performance: -1.8% (228,510) *

SSA did not meet its goal in FY 2003 and estimates that it will not be met in FY 2004. While the Ticket-to-Work program should eventually have a significant effect on return-to-work among SSI recipients, it will take several years to see the full benefits and results of the program. Many policy changes and new structures are still in development phases. The Ticket-to-Work program will not be completely implemented until late in 2004.

Helping individuals with disabilities gain employment is a *service* the Agency provides that helps the individual and the general public in many ways. SSA encourages individuals with disabilities to take advantage of various work incentives under the SSI program so that they may maximize their economic independence and self-sufficiency through work.

FY 1999: Not Available
FY 2000: 10.9% (255,129)
FY 2001: -1.1% (252,219)
FY 2002: -1.2% (249,175)



Trend: The number of SSI recipients earning at least \$100/month had been steadily decreasing from FY 2001 through FY 2003. Although the goal for FY 2004 was not met, there was an increase over FY 2003 in the number of SSI recipients earnings at least \$100/month. SSI recipients who do not have a strong employment history may find it more difficult to compete in the job market, and they may have less education than other job candidates. However, it is difficult to identify a specific trend because the actual performance is measured just once a year and does not reflect performance throughout the year.

Data Definition: The Agency’s goal is for annual increases in the number of working SSI disabled recipients earning at least \$100 per month. This measure is intended to reflect the impact of all work incentives for SSI disabled recipients. (The goal is based on the actual performance of the prior year.)

Note: Based upon an audit of this performance goal, we intend to change the calculation of the measure in FY 2005. The current calculation compares a snapshot of recipients working in September of each year. To make this calculation more representative of the yearly performance and less sensitive to aberrations, we intend to change the year-end calculation to compare an average of the fiscal year quarterly outcomes (December, March, June, and September).

Data Source: “SSI Disabled Recipients Who Work” report.

* This represents performance data through June 2004. Actual end-of-year data will not be available until late November 2004 and will be reported in the FY 2005 PAR.

Strategic Objective 3: Improve service with technology

The following lists three KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
3.1	Usage of electronic entitlement and supporting actions	See page 52
3.2	Percent of employee reports (W-2s) filed electronically	See page 53
3.3	Percent of people who do business with SSA rating the overall service as “excellent,” “very good,” or “good”	See page 54

There are also four non-KPI performance measures for Strategic Objective 3:

3.4 — Retirement and Survivors Insurance (RSI) Claims Processed

FY 2004 Goal: 3,285,000

Actual FY 2004 Performance: 3,399,471

SSA met its goal. Each year, this goal is based on actuarial estimates, prior years’ claims receipts, legislative or policy changes and other factors. This forecasting has resulted in reliable estimates over the years which have enabled the Agency to meet the goal every year since FY 2000. Estimates notwithstanding, the actual number of RSI claims processed depends entirely on the number of people who decide to file for benefits.

SSA faces great challenges in providing the public the *service* they expect and deserve, particularly as the number of beneficiaries increases each year with the aging of the baby boomers. The number of retirement claims will grow significantly over the next decade. This is a highly visible workload and SSA processes as many claims as possible to meet the needs of the public. Improving technology also affects the way the Agency delivers service by phone and in-person. Increased use of the Internet and advances in electronic communication technology provide the public with greater access to services and allows SSA to more efficiently reach them.

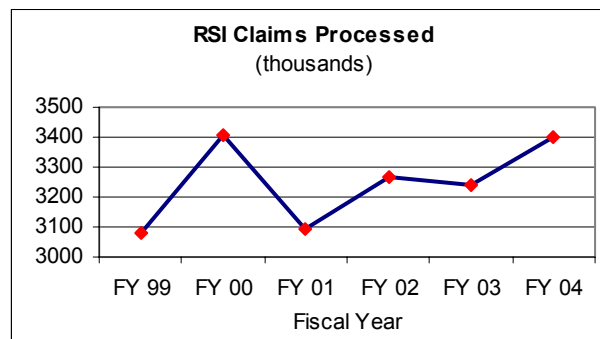
FY 1999: 3,076,937

FY 2000: 3,404,938

FY 2001: 3,092,743

FY 2002: 3,266,297

FY 2003: 3,238,871



Trend: The original FY 2001 objective was to process 3,191,000 RSI claims, but that number was later revised downwards to 3,125,000. Based on FY 2000 experience, the FY 2001 projection was too high. FY 2000 was the year that the annual earnings test was eliminated, and this caused a surge in applications that did not carry over to FY 2001. Even though the projection was lowered mid-FY 2001 to account for this, the Agency still processed about 32,000 fewer claims than projected. In FYs 2002 and 2003 the actuarial projections were 3,107,000 and

3,229,000 claims processed, respectively. In each of these years, the actual number of RSI claims processed exceeded the estimate. Agency performance this fiscal year is slightly above FYs 2001 and 2003 but slightly below FY 2002.

Data Definition: All retirement, survivors, and initial claims for Medicare processed by regional offices, field offices and Office of Central Operations (OCO). Includes totalization claims.

Data Source: Integrated Work Measurement System/District Office Workload Report cells 00112, 00212; Office of International Operations Ad hoc Report, Division of Direct Service Operations Teleclaims Report; Payment Service Center Internet Retirement Insurance Benefits; and Immediate Claims Taking.

3.5 — 800-number Calls Handled

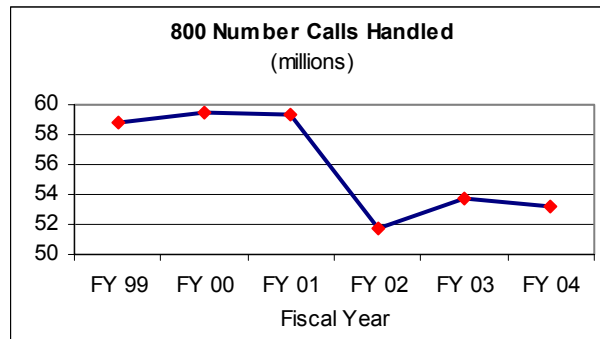
FY 2004 Goal: 52,000,000

Actual FY 2004 Performance: 53,200,000

SSA met its goal. Agency success in this area can be attributed to the efficient use of automated services and enhanced call center technology.

Improvement in telephone technology provides the public with easy and efficient access to SSA *services* without leaving their home or workplace.

FY 1999: 58,800,000
FY 2000: 59,500,000
FY 2001: 59,300,000
FY 2002: 51,800,000
FY 2003: 53,700,000



Trend: In FY 2001, the Agency did not achieve planned call center network efficiencies due to the delayed implementation of the new Call Center Network Solution which resulted in the goal not being met. In FY 2002 the number of incoming calls declined due to Internet usage. The National 800 Number Network handled 83 percent of calls received (as opposed to 79.3 percent in FY 2001). In FY 2003, the teleservice centers were asked to maximize teleservice center representative (TSR) staff resources by aiming for a 60 percent TSR logged-on time. This was not implemented until late in the fiscal year which caused the Agency to miss meeting the calls handled goal. In FY 2004, the TSR logged-on time goal was set at 60 percent for the full year. Agency performance this fiscal year is less than FY 2001, but slightly above FYs 2002 and 2003.

Data Definition: The number of calls (either live or automated service) handled by SSA’s 800 number.

Data Source: National 800 number network.

3.6 — Percent of Callers who Successfully Access the 800-number within 5 Minutes of their First Call

FY 2004 Goal: 94%

Actual FY 2004 Performance: 95.6%

SSA met its goal. Through the use of the Call Center Network Solution (CCNS), increased network efficiencies were realized in FY 2004. The CCNS allows the routing of calls to the next available agent at any site in the network. This enables the network to handle the optimum number of calls per agent which translates into improved service to the public.

Advances in telephone communication technology provide the public with greater access to *services* and allows SSA to more efficiently reach them. The satisfaction levels of the people who do business with SSA by phone continue to be very important.

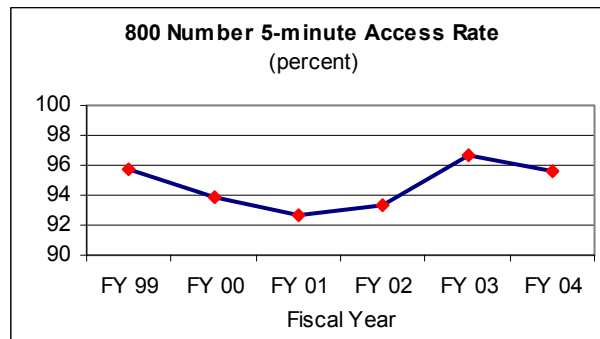
FY 1999: 95.8%

FY 2000: 92.9%

FY 2001: 92.7%

FY 2002: 93.3 %

FY 2003: 96.7%



Trend: The implementation of the CCNS in FY 2001 and the refinement of CCNS in FY 2002 made agent routed calls more efficient and resulted in fewer busy messages. In FYs 2003 and 2004, teleservice centers were asked to maximize teleservice center representative (TSR) staff resources by aiming for a 60 percent TSR logged-on time which contributed to the achievement of this goal. Performance for this fiscal year has surpassed previous years.

Data Definition: The percent of unique call attempts that successfully “connect” within 5 minutes of the first attempt within a 24-hour period. A successful “connection” occurs when a caller selects either an automated or a live agent and is connected with that option within 5 minutes of first dialing the 800-number.

Data Source: Automatic number identification records provided by WorldCom.

3.7 — Percent of Callers who get through to the 800-number on their First Attempt

FY 2004 Goal: 87%

Actual FY 2004 Performance: 94.2%

SSA met its goal. Through continued utilization of the Call Center Network Solution (CCNS) and new enhancements in automation, more callers were able to access SSA’s 800-number on their first attempt. The CCNS allows the routing of calls to the next available agent at any site of the network.

Enhancements in phone technology benefit the public since more calls can be handled. The calls to the 800-number are also answered in less time which makes it easier for the public to access SSA *services* without leaving their home or workplace.

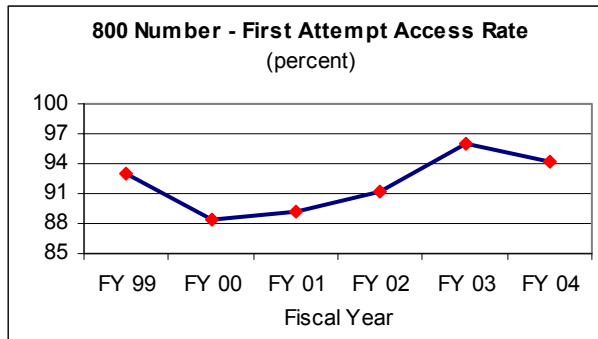
FY 1999: 92.9%

FY 2000: 88.4%

FY 2001: 89.2%

FY 2002: 91.3%

FY 2003: 95.9%



Trend: The implementation of CCNS in FY 2001 and the refinement of CCNS in FY 2002 made agent routed calls more efficient and resulted in fewer busy messages. In FYs 2003 and 2004, teleservice centers were asked to maximize teleservice center representative (TSR) staff resources by aiming for a 60 percent telephone logged-on time which contributed to the achievement of this goal. Performance for this fiscal year has surpassed previous years.

Data Definition: The percent is the number of individuals who reach the 800-number (either live or automated) service on their first attempt, divided by the number of unique telephone numbers dialed to the 800-number. An “attempt” is defined as the first attempted call of the day, or a subsequent attempt after a previously successful call.

Data Source: Automatic number identification records provided by WorldCom.

Strategic Goal B: To ensure superior Stewardship of Social Security programs and resources

Strategic Objective 4: Prevent fraudulent and erroneous payments and improve debt management

The following lists three KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators	See page for detailed discussion
4.1 SSI non-disability redeterminations	See page 55
4.2 Periodic Continuing Disability Reviews (CDR) processed	See page 56
4.3 Percent of outstanding OASDI debt in a collection arrangement	See page 57

There are also three non-KPI performance measures for Strategic Objective 4:

4.4 — Percent Outstanding Supplemental Security Income (SSI) Debt in a Collection Arrangement

FY 2004 Goal: 55%

Actual FY 2004 Performance: 53.5%* (May-September)

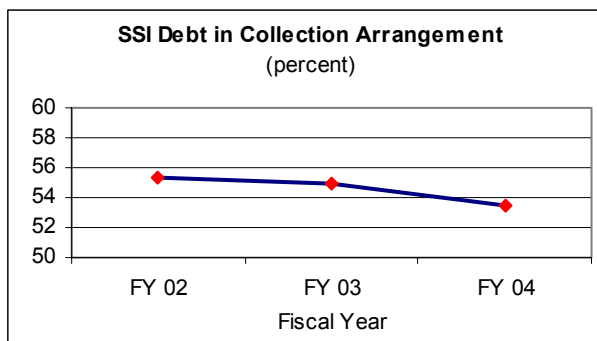
SSA almost met its goal. SSA's *stewardship* responsibilities require that the Agency recover as much debt as possible. The Agency continues to use aggressive debt collection tools to recover delinquent benefit overpayments from former recipients. SSA refers delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments. In addition, SSA withholds SSI overpayments from the benefits of individuals who become entitled to Old Age, Survivors and Disability Insurance payments and refers debts to credit bureaus. SSA operating components now have access to a tool named "OP-WIZ" that organizes debt information more efficiently for individual case processing and better workload management. A project under development is the use of Administrative Wage Garnishment as a means to collect debts through a debtor's employer. Anticipated implementation is December 2004.

FY 1999 – FY 2001:

Not Available –
This was a new measure for FY 2002.

FY 2002: 55.4%

FY 2003: 55%



Trend: The FY 2004 goal was based on an analysis of past performance and was set at levels that would result in performance close to the goals. The Agency has not seen any significant changes in FYs 2003 or 2004 in regard to establishment or resolution of overpayments that would measurably affect the performance measure. Two factors may account for the small downward trend in FY 2004:

- The increased number of redeterminations processed earlier in the year than previous years that have resulted in overpayments.
- A systems problem that was causing this number to be incorrectly calculated. The problem was corrected in May but data prior to that could not be recalculated. As a result, the actual FY 2004 performance is only from May through September.

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. 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: To improve this indicator, SSA will focus on the debt not in a collection arrangement by developing initiatives to either collect it or close-out the debt if it is unproductive.

Data Source: Supplemental Security Record.

* The Office of Quality Assurance (OQA) determined that the data reported from October 2003-April 2004 was incomplete. The data can not be accurately recalculated. The actual FY 2004 performance represents cumulative data from May 2004-September 2004 only.

4.5 — Percent of Supplemental Security Income (SSI) Payments Free of Preventable Overpayments and Underpayments

FY 2003 Goal: Overpayment accuracy: 95.4%
Underpayment accuracy: 98.8%

FY 2004 Goal: Overpayment accuracy: 95.4%
Underpayment accuracy: 98.8%

Actual FY 2003 Performance:
Overpayment accuracy: 93.9%
Underpayment accuracy: 98.8%

Estimated FY 2004 Performance:
Overpayment accuracy: 93.9%*
Underpayment accuracy: 98.8%*

SSA almost met its goal for FY 2003 by achieving an overpayment accuracy rate of 93.9 percent and an underpayment accuracy rate of 98.8 percent. These are ambitious goals, but SSA is committed to further improving payment accuracy. Each 1 percent increase in payment accuracy equates to \$350 million of error prevented.

Individuals who contribute through payroll deductions, self-employment taxes, or income taxes to fund the Social Security and SSI programs need to be confident their tax dollars are properly managed. Agency *stewardship* efforts are in place to guarantee SSI recipients that their benefits are accurate and received timely. The Agency has undertaken initiatives that have the most potential to improve program integrity in this area. In addition, SSA has implemented many of the measures outlined in the SSI Corrective Action Plan, but the full impact from those measures may not be realized for several years. In FY 2005, the Agency expects to implement additional initiatives, including SSA access to financial data of recipients and an automated telephone wage reporting system. SSA is also developing a legislative proposal that would simplify the SSI program. The Agency is also exploring other long-term initiatives to significantly improve the redetermination process which will enhance an already cost-effective method of reducing overpayments. In determining which changes to implement, SSA will continue to consider resource constraints and administrative costs.

Note: The FY 2003 final data for this measure was not available in time for publication of the FY 2003 Performance and Accountability Report (PAR). Therefore, FY 2003 results are included in the FY 2004 PAR.

SSA expects that the FY 2004 goal will almost be met based on past performance. The attainment of this goal is linked to two dependencies. The first is resources. The President's Budget request for SSA was not fully funded by the Congress and as a result substantial reductions had to be made in payment accuracy oriented workloads (specifically, 235,000 non-medical redeterminations and over 275,000 other limited issue alerts). Second is the time associated with implementation of the new error prevention initiatives which are now under development. Results from those efforts are expected to help the Agency meet long-term goals in this area, but were not realized in FY 2004.

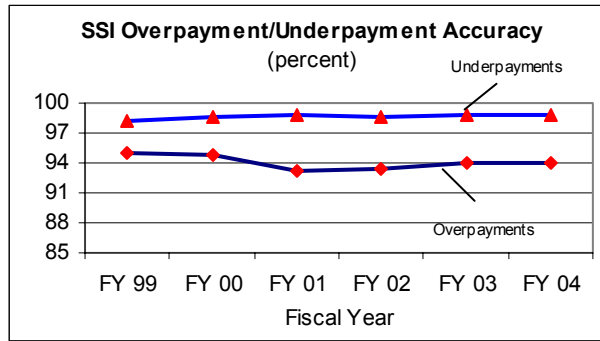
* The performance data shown for FY 2004 is an end-of-year estimate. Actual data will not be available until June 2005 and will be reported in the FY 2005 PAR.

FY 1999: Overpayment: 94.9%;
Underpayment: 98.3%

FY 2000: Overpayment: 94.7%;
Underpayment: 98.6%

FY 2001: Overpayment: 93.3%;
Underpayment: 98.8%

FY 2002: Overpayment: 93.4%;
Underpayment: 98.6%



Trend: The percent of SSI payments free of preventable overpayments and underpayments did not change in a statistically significant way from previous years.

Note: For FY 2003, statistical precision at the 95 percent confidence level is ± 1.1 for overpayments and ± 0.3 for underpayments.

Data Definition: The SSI payment accuracy rate free of preventable overpayments and underpayments is determined by an annual review of a statistically valid sample of the beneficiary rolls. The rate is computed by first subtracting the amount of “unpreventable” incorrect payments from the dollars overpaid or underpaid in a FY, and then dividing these dollars by the total dollars paid for the FY. This percentage is subtracted from 100 percent to attain the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

Data Source: SSI Stewardship Report.

4.6 — Percent of Old Age, Survivors, and Disability Insurance (OASDI) Payments Free of Overpayments and Underpayments

FY 2003 Goal: Overpayment accuracy: 99.8%
Underpayment accuracy: 99.8%

FY 2004 Goal: Overpayment accuracy: 99.8%
Underpayment accuracy: 99.8%

Actual FY 2003 Performance:
Overpayment accuracy: 99.8%
Underpayment accuracy: 99.9%

Estimated FY 2004 Performance:
Overpayment accuracy: 99.8%*
Underpayment accuracy: 99.9%*

SSA met its goal. SSA implemented several initiatives that contributed to the goal being met. Improvements to the Continuing Disability Review (CDR) profiling process and procedures and the e-Work system improved the coordination between field offices, enabling earnings information to be recorded at the point of contact, thereby reducing the occurrence of overpayments.

* The performance data shown for FY 2004 is an end-of-year estimate. Actual data will not be available until June 2005 and will be reported in the FY 2005 PAR.

Individuals who contribute through payroll deductions, self-employment taxes, or income taxes to fund the Social Security and Supplemental Security Income (SSI) programs need to be confident their tax dollars are properly managed. Agency *stewardship* efforts are in place to guarantee beneficiaries that their benefits are accurate and received timely. SSA has undertaken initiatives that have the most potential to improve program integrity in this area.

Note: The FY 2003 final data for this measure was not available in time for publication of the FY 2003 Performance and Accountability Report (PAR). Therefore, FY 2003 results are included in the FY 2004 PAR.

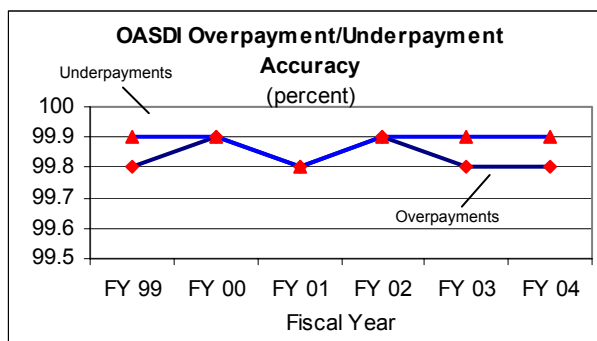
SSA expects that the FY 2004 goal will be met based on past performance. Accuracy in this program has been very high for many years and SSA's goal is to maintain that excellence. There is no reason to expect deterioration. New initiatives for posting earnings from the suspense file, and for improved tracking of work reports, to assure timelier processing of work-initiated CDRs, are expected to contribute to improved performance.

FY 1999: Overpayment: 99.8%;
Underpayment: 99.9%

FY 2000: Overpayment: 99.9%;
Underpayment: 99.9%

FY 2001: Overpayment: 99.8%;
Underpayment: 99.8%

FY 2002: Overpayment: 99.9%;
Underpayment: 99.9%



Trend: The Agency continues to maintain a high level of dollar accuracy of OASDI payment outlays.

Note: Overall, statistical precision at the 95 percent confidence level ranges from 99.60 percent to 99.99 percent for overpayments and 99.88 percent to 99.99 percent for underpayments.

Data Definition: The OASDI payment accuracy rate is determined by an annual review of a statistically valid sample of the beneficiary rolls. Separate rates are determined for the accuracy of payments with overpayment dollars and the accuracy of payments with underpayment dollars. The rates are computed by dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. Prior to FY 2001, the accuracy of only Old Age and Survivors Insurance (OASI) outlays was included. Effective FY 2001, the non-medical accuracy of Disability Insurance (DI) outlays was added to the measure.

Note: The Government Accountability Office (GAO) raised a concern that combining payment accuracy data from the OASI and the DI programs may affect SSA's ability to sufficiently monitor and manage performance. While the PAR combines data from these two programs, Stewardship Reports continue to include the accuracy of OASI and DI payment outlays separately.

Data Source: OASDI Stewardship Report.

Strategic Objective 5: Strengthen the integrity of the Social Security Number (SSN)

The following describes the two non-KPI performance measures for Strategic Objective 5:

5.1 — Social Security Numbers (SSNs) Processed

FY 2004 Goal: 17,500,000

Actual FY 2004 performance: 17,791,880

SSA met its goal. The number of SSNs processed is entirely dependent on the actual number of persons applying for original and duplicate social security cards. The FY 2004 goal was determined based on the number of SSNs that were processed in prior years.

The SSN has become a primary means of identification in both the public and private sectors. The processing of this large workload in a timely and efficient manner is needed for SSN applicants in many aspects of their financial lives, including securing a job, dealing with banks, and, most importantly, establishing a record of earnings to support future entitlement to benefits. Proper *stewardship* of the enumeration process is necessary for virtually the entire population in conducting day-to-day finance-related activities.

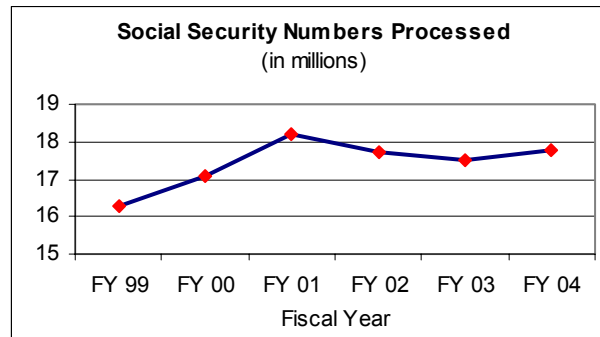
FY 1999: 16,322,588

FY 2000: 17,128,073

FY 2001: 18,179,115

FY 2002: 17,679,490

FY 2003: 17,523,560



Trend: FY 2001 volumes were impacted by Department of Motor Vehicle match agreements that the Agency entered into with the States which resulted in an increased amount of corrections to SSN records. The FY 2002 projection was set at 17,132,400 but the workload exceeded expectations by 3.2 percent, as 17,679,490 SSN requests were cleared. The Agency cannot control the number of people who apply for new or replacement SSN cards, so the goal may be over or under achieved depending on demand for this service. The projected clearances for FY 2003 were 16,000,000, which turned out to be unrealistically low; SSA actually processed 17,523,560 SSNs, a drop of less than 1 percent from the prior year, but 9.5 percent higher than projected.

Data Definition: Includes SSN issuance for duplicate or original numbers processed by regional offices, field offices and the Office of Central Operations (OCO), plus enumeration-at-birth (EAB) activity and the count of fraud investigations not resulting in issuance of a SSN and an EAB.

Data Source: Social Security's Monthly Tracking Report. Tracking Report sources are: Field Office Social Security Number Enumeration Report, EAB Year-To-Date processing statistics.

5.2 — Percent of Social Security Numbers (SSNs) Issued that are Free of Critical Error

FY 2003 Goal: 99.8%

FY 2004 Goal: 99.8%

Actual FY 2003 Performance: 99.7%

Estimated FY 2004 Performance: 99.8%*

SSA almost met its FY 2003 goal. The Enumeration Review is conducted on an ongoing basis to determine the accuracy of Social Security Number (SSN) issuances. The accuracy rate is based on a review to verify that the applicant has not been issued an SSN that belongs to someone else, or that multiple SSNs assigned to the same individual have been cross-referred. The data excludes SSNs assigned via the Enumeration-at-Birth process, the Enumeration-at-Entry process and major errors identified by the Office of Quality Assurance and Performance Assessment that do not result in SSN cards being issued erroneously.

This is a highly visible workload since 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 fraud. When SSN requests are processed, the Agency must ensure that SSNs are assigned appropriately. Proper *stewardship* of the enumeration process protects the public from incidents of identity fraud.

Note: The FY 2003 final data for this measure was not available in time for publication of the FY 2003 Performance and Accountability Report (PAR). Therefore, FY 2003 results are included in the FY 2004 PAR.

SSA expects that the FY 2004 goal will be met as the result of systems enhancements. Enhancements to the enumeration system were implemented in FY 2004. One of these enhancements detects situations where a parent applies for SSNs for an unusually large number of children. In these situations an enumeration alert is generated which requires the Agency to investigate the SSN request before a number can be issued. Another enhancement that was implemented prevents the incorrect issuance of a second SSN. The Agency also provided employees with extensive training on documentation and general reminders on enumeration policies during FY 2004

With an actual SSN accuracy rate of 99.7% for FY 2003, we feel very confident that building on that accuracy, the systems enhancements and training will enable the Agency to meet the goal of 99.8% in FY 2004.

FY 1999 – FY 2002: Not Available – This was a new measure for FY 2003.

Trend: In FY 2003, 99.7 percent of SSNs were accurately issued by SSA. The Agency continues its efforts to improve the quality of the enumeration process by continuing to focus on deficiencies identified in quality reviews and enumeration studies and by providing refresher training.

Data Definition: The rate is based on an annual review of SSN applications to verify that: 1) the applicant did not receive a 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 a SSN based on supporting documentation, i.e., the field office verified appropriate documentation—United States Citizenship and Immigration Services, formerly Immigration and Naturalization Services, document for foreign born and birth certificate for U.S. born, and made a correct judgment of entitlement to a SSN.

Data Source: Enumeration Process Quality Review.

* The performance data shown for FY 2004 is an end-of-year estimate. Actual data will not be available until September 2005 and will be reported in the FY 2005 PAR.

Strategic Objective 6: Increase the accuracy of earnings records

The following describes the three non-KPI performance measures for Strategic Objective 6:

6.1 — Annual Earnings Items Processed

FY 2004 Goal: 262,500,000

Actual FY 2004 Performance: 251,853,503

SSA almost met its goal. The number of annual earnings items processed depends on the number of earnings items reported. That number has decreased since 2000. SSA's original projection of annual earnings items that would be received in FY 2004 was too high. In August, the Agency's Office of the Actuary lowered the projection for receipt of tax year 2003 W-2's by 5 million.

The trend over the past 4 years has shown a decrease in the number of W-2's reported to SSA. When the level of receipts is low, the number of items processed will also be low. To do a better job to estimate the goal, the Agency will consider lowering the goal to equate with the history of processed W-2's over the past 4 years.

By increasing the accuracy of earnings records, SSA is ensuring that recipients receive the full Social Security benefits to which they are entitled. Proper *stewardship* of the earnings accuracy process leads to increased public confidence in the reliability of the Social Security system. To augment existing strategies, SSA has launched an earnings improvement effort to increase the use of electronic filing by employers.

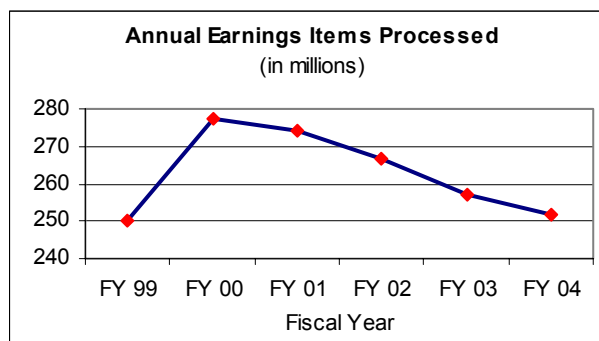
FY 1999: 249,867,974

FY 2000: 277,145,696

FY 2001: 274,427,394

FY 2002: 266,777,009

FY 2003: 257,188,087



Trend: The annual estimate for the processing goal can be affected by fluctuations in the business cycle, in the rate of reporting error, changes in reporting requirements, etc. The economy began to slow in 2001 accounting for the drop in total items processed in FYs 2002 and 2003. There is also a trend toward receiving and processing this workload earlier in the year. This is influenced by the positive increase in the percent of W2s filed electronically. Also, for the past 3 years SSA has opened the processing systems for both electronic and paper filers earlier each year.

Data Definition: Annual earnings items reflect the total number of paper annual wage items processed through the balancing operation, plus the total number of electronic magnetic media and self-employment items posted in a fiscal year. This includes delinquent reports and adjustments processed.

Data Source: Earnings Posted Overall Cross Total/Year-to-Date System (EPOXY). This data resides in the SSA Management Information Systems (SSAMIS) Integrated Work Measurement System (IWMS) cells 188 and 189, Office of Earnings Operations.

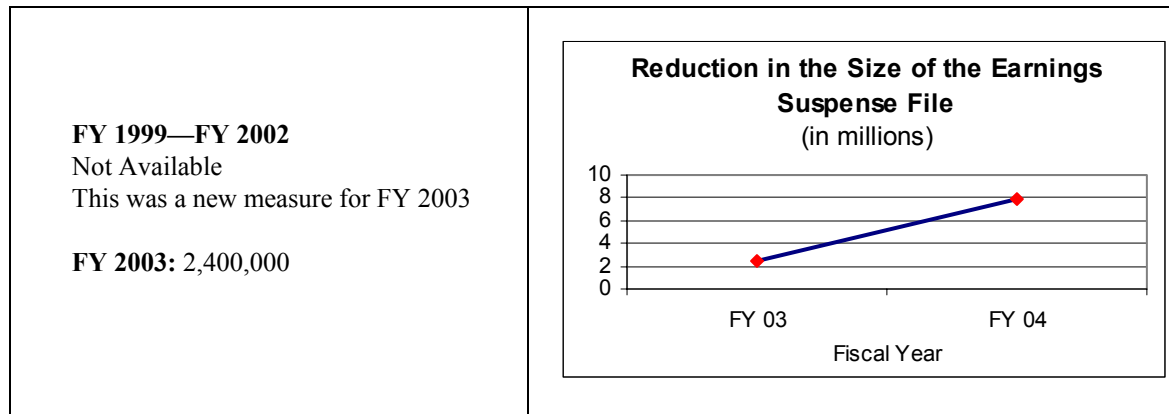
6.2 — Reduction in the Size of the Earnings Suspense File (ESF)

FY 2004 Goal: 27,600,000

Actual FY 2004 Performance: 7,896,263

SSA did not meet its goal. In FY 2004, for tax years 1937 through 2000, there was a 329 percent increase in the total number of earnings items removed from the Earnings Suspense File (ESF) and posted to individual earnings records. Removing items from the ESF and posting them to the correct individual earnings records improves the overall accuracy of earnings records. The earnings posted to individual earnings records are used to determine insured status for Old Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income benefits. Earnings are a primary element used to determine the amount of monthly benefits payable to OASDI beneficiaries.

The principal reason the goal was not met was underestimating the time to design and fully implement a new series of very complex matching software routines. The complex software is necessary to prevent posting ESF items to the wrong earnings records. Before additional items can be electronically removed from the ESF, further program design, development and/or validation must be completed. The Agency continues to pursue activities to increase the accuracy of individual earnings records. Removing items from the ESF and more effectively managing the ESF is an essential feature to attain SSA's *stewardship* goal of improving earnings record accuracy to increase public confidence in the reliability of the Social Security system.



Trend: This was a new measure for FY 2003. For FY 2003, 2,400,000 items were removed from the ESF and, in FY 2004, 7,896,263 additional items were removed from the ESF.

Data Definition: The number of items removed from the Earnings Suspense File (ESF) for tax years prior to 2001 will be determined by comparing the ESF as it existed at the end of FY 2003 with the ESF as it will exist at the end of FY 2004. A combination of data elements on the ESF is used as a “key” to determine if an item has been removed.

Data Source: Office of Quality Assurance records of items removed from suspense and posted to the correct earnings records.

6.3 — The Percent of Incoming Earnings Items Removed from the Suspense File at the end of the Annual Earnings Posting Cycle

FY 2003 Goal: 2%

FY 2004 Goal: 5%

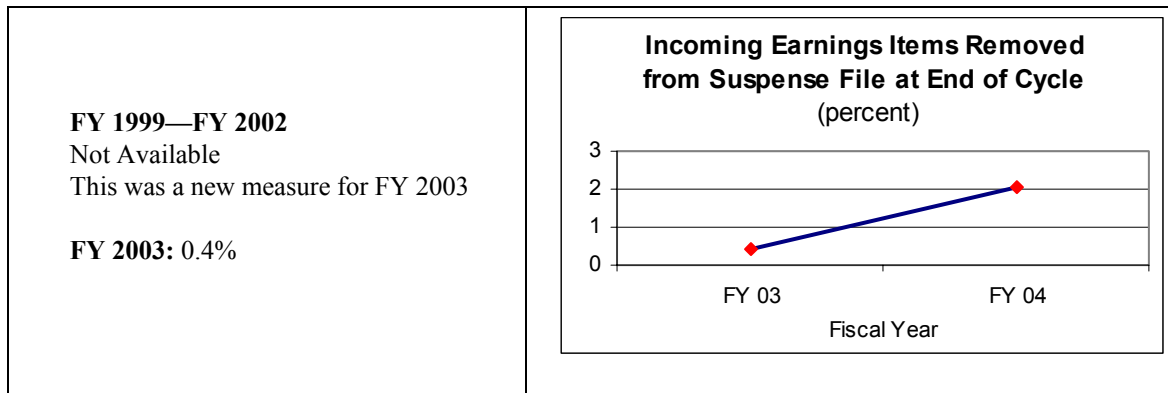
Actual FY 2003 Performance: 0.4%

Actual FY 2004 Performance: 2.07%

SSA did not meet its goal for FYs 2003 and 2004. The FY 2004 goal of 5 percent represents the cumulative effect of FY 2003 and FY 2004 efforts. SSA’s new matching routines to remove items from the Earnings Suspense File (ESF) posted over 2 percent of the 9.8 million items added to the ESF for tax year 2000 to individual earnings records. This 2 percent is in addition to the 30 plus previously developed software routines to match earnings reports to the correct earnings records.

Removing items from the ESF and more effectively managing the ESF is an essential feature to attain SSA’s *stewardship* goal of improving earnings record accuracy to increase public confidence in the reliability of the Social Security system. The earnings posted to individual earnings records are used to determine insured status for Old Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income benefits. Earnings are a primary element used to determine the amount of monthly benefits payable to OASDI beneficiaries.

The principal reason the goal was not met was underestimating the time and complexity involved to design and fully implement a new series of matching software routines. The Agency is expanding its software design to improve on the 2 percent for tax years after 2000. The new software routines will also be used to remove ESF items for tax years 1937 and later.



Trend: This was a new measure for FY 2003. In FY 2003, 0.4% of the incoming earnings items were removed from the ESF at the end of the annual posting cycle and, for FY 2004 (through September 2004), 2.07% of the incoming earnings items were removed from the ESF.

Data Definition: Earnings that remain in suspense after the annual posting cycle are earnings that are not matched to an earnings record after all routine matching operations are complete. The FY 2004, 5-percent reduction goal will be achieved by using new matching routines currently being developed by the Office of Quality Assurance (OQA) that use earnings records as the basis for the match to the employer/self-employment report. The OQA process is used after all other matching attempts fail. The percentage is determined by comparing the number of items added to suspense during a full posting cycle to the number later removed in the new process. The first earnings cycle to which the indicator will be applied will be for tax year 2000. The FY 2004 goal of 5 percent represents the cumulative effect of FY 2003 and FY 2004 efforts.

Data Source: Items in the Suspense File at the end of the full CY 2000 cycle compared to items removed by the new process.

Strategic Objective 7: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

The following lists two KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
7.1	Disability Determination Service (DDS) cases processed per workyear (PPWY)	See page 58
7.2	“Get to green” on all five PMA initiatives	See page 59

The following describes the seven non-KPI performance measures for Strategic Objective 7:

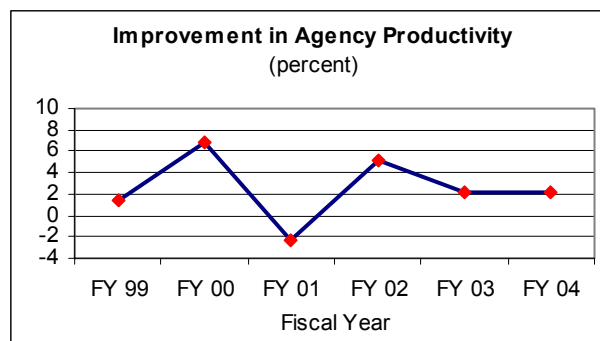
7.3 — Percent Improvement in Agency Productivity

FY 2004 Goal: 2%

Actual FY 2004 Performance: 2.2%

SSA met its goal. Consistent with the Agency’s Strategic Plan, SSA’s Service Delivery Budget Plan includes a commitment to achieve an average annual productivity improvement of 2 percent through FY 2008. SSA met its goal in FY 2004 with a productivity improvement of 2.2 percent. This increase is due primarily to the Agency’s ongoing efforts to streamline its business processes and automate its workloads. This performance measure is directly linked to the Agency’s *stewardship* goal. As workloads increase, the public benefits when SSA can process more work, while improving processing time and maintaining accuracy.

FY 1999: 1.4%
FY 2000: 6.8%
FY 2001: -2.3%
FY 2002: 5.1%
FY 2003: 2.1%



Trend: SSA expects to continue to improve productivity by 2 percent per year on average through FY 2008. Continued improvement in actual performance, along with numerous initiatives the Agency is pursuing, lends credence to achieving this goal.

Data Definition: The percent change in productivity is measured by comparing the total number of SSA and 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.

Data Source: Agency Cost Accounting System.

7.4 — Number of SSA Hearings Cases Processed per Workyear (PPWY)

FY 2004 Goal: 105

Actual FY 2004 Performance: 100.2

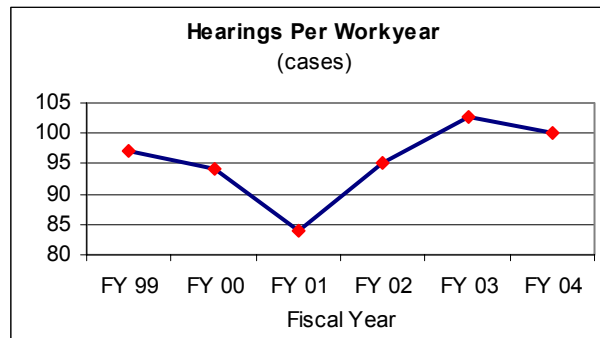
SSA almost met its goal. Despite record Administrative Law Judge (ALJ) productivity, several factors contributed to this being a challenging goal in FY 2004. As the average age of the pending workload increased, the PPWY declined. In addition, a delay in ALJ hiring, and the decision not to implement the Attorney Decision Maker position made it very difficult to achieve the target PPWY. In addition, the learning curve associated with the new Case Processing and Management System adversely affected meeting this goal.

The Medicare Modernization Act includes a provision stating that responsibility for conducting Medicare hearings must be transferred from SSA to the Department of Health and Human Services (HHS) between July 1 and October 1, 2005. Although the Agency continued to process Medicare hearings in FY 2004, they were excluded from the performance data associated with this measure. However, ALJ resources continue to be used to process this workload, which decreases the number of ALJs available to process SSA hearings. SSA is currently reimbursed for processing Medicare hearings under an annual reimbursable agreement with HHS.

This indicator relates to SSA's priority to improve disability program *service* to the public. The current process is lengthy, applicants and their families are subject to unacceptable economic burdens, and the Agency experiences an unnecessary drain on its resources. Not meeting the goal means SSA is falling short of claimants' expectations for a fair and timely hearing.

In order to make immediate service and efficiency improvements, the Agency is in the process of expanding video teleconference (VTC) hearings and marketing this new technology. With VTC, the claimant would not have to travel a long distance, the hearing could be held sooner, and the result would be a more timely decision. ALJs could be more productive with less time required for travel to remote sites. VTC also facilitates workload transfers and significantly broadens the pool of experts available for testimony at hearings. By the end of FY 2006, SSA plans to have a VTC system in every OHA hearing office and permanent remote site. In FY 2004 127 VTC systems were installed. Of note is that the overall average processing time for VTC hearings in FY 2004 was 105 days less than those not using this technology. SSA also expects to improve productivity by fully implementing the electronic disability process.

FY 1999:	97
FY 2000:	94
FY 2001:	84
FY 2002:	95
FY 2003:	102.7



Trend: End of year PPWY has increased each year since FY 2001. The increase in PPWY over the past few years is primarily due to the fact that individual ALJ productivity rose to unprecedented levels. Although the number of

ALJs declined, those that were still on duty were more experienced. Performance this fiscal year is significantly above FYs 2001 and 2002 and slightly lower than FY 2003.

Data Definition: This indicator represents the average number of SSA hearing cases processed per “direct” workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, ALJ travel, leave, holiday etc.

Data Source: OHA Monthly Activity Reports, the Hearing Office Tracking System, the Case Processing and Management System, Payroll Analysis Recap Report, Time and Attendance Management Information System, OHA Bi-weekly Staffing Report, and the Travel Report.

7.5 — Milestones in Effort to Get to “Green” in Competitive Sourcing

FY 2004 Goal: Milestone - Develop a “yellow” plan for Competitive Sourcing

Actual FY 2004 Performance: Completed a “yellow” plan for Competitive Sourcing

SSA met its goal. SSA has developed a “yellow” plan that was approved by the Office of Management and Budget (OMB). Development of the “yellow” plan identifies activities that the Agency will potentially study. Competition of these activities ensures that the most cost-effective service provider is used.

This performance measure is directly linked to the Agency’s *stewardship* goal. The competitive sourcing initiative requires the Agency to compare government and private organizations to see which can do commercial functions within the Agency more efficiently. The attainment of this goal indicates that the Agency effectively manages resources. The public benefits through cost reductions and service improvements realized through the competitive sourcing process. Through competitive sourcing, the Social Security Administration can achieve improvements that make it a more efficient organization.

FY 1999 – FY 2003: Not Available – This is a new measure for FY 2004.

Trend: Over the past 2 years, the Social Security Administration has built a competitive sourcing infrastructure capable of providing better service to the public. Since 2001, the Agency has competed or converted 125 positions through four competitions and two direct conversions: Systems Software Validation (retained in-house), Headquarters Parking and Badging (awarded to private sector), Dallas Mail Room Express Study (awarded to private sector), Systems Help Desk (retained in-house), Performance Audits (direct conversion) and Magnetic Media Support (direct conversion). Through these activities the Agency has saved money and improved service. There are now 645 positions under study or in the preliminary planning phase. The positions include facilities maintenance, mailroom operations, and data center operations.

Data Definition: OMB revised its government-wide instructions regarding development of competitive sourcing plans. The instructions call for the development of plans to meet the standards for a “yellow” and “green” status on the President’s Management Agenda initiative. SSA’s plan was developed in accordance with these instructions and has been approved by OMB. Achieving “yellow” required the Agency to:

- Develop an approved plan to compete commercial activities.
- Complete one standard competition or publicly announce standard competitions that exceed the number of positions identified for competition in the Agency’s plan.
- Complete 75 percent of the streamlined competitions attempted in the previous two quarters within a 90-day timeframe.
- Cancel less than 20 percent of the standard and streamlined competitions publicly announced in the previous 2 quarters.

SSA has developed a multi-year competitive sourcing plan which was submitted to OMB in September 2004 that will enable the Agency to act strategically and tailor public-private competitions to its mission and workforce needs. Achieving “green” would require the Agency to:

- Develop an OMB approved “green” competition plan that addresses all functions coded ‘commercial suitable for competition’;
- Publicly announce standard completions in accordance with the Agency’s approved “green” plan;
- Complete at least 10 competitions from the January 2001 starting point;
- Compete 90 percent of all standard competitions in a 90-day timeframe; and
- Cancel fewer than 10 percent of publicly announced standard and streamlined competitions from the previous year.

Data Source: Total commercial positions: OMB-approved Competitive Sourcing Plan based on the Year 2003 FAIR inventory; Commercial positions studied that were identified in the OMB-approved Competitive Sourcing Plan.

7.6 — Maintain Zero Outside Infiltrations of SSA’s Programmatic Mainframes

FY 2004 Goal: 0 infiltrations

Actual FY 2004 Performance: 0 infiltrations

SSA met its goal. Good *stewardship* goes beyond good money management. It includes ensuring the security of SSA’s information systems and the integrity and privacy of the personal information that SSA maintains. It is also an obligation to provide safe and secure environments in which employees can work and the public can transact business.

SSA has reviewed and implemented industry "best practices" where applicable to ensure that information security corresponds to the critical importance and sensitive nature of information processed and maintained. SSA employs an Intrusion Protection Team and Agency-wide Security Response Team to support this goal.

The two teams have routine contact with the Federal Computer Incident Response Center to exchange up-to-date information on threats and countermeasures. In FY 2004, the Agency continued to improve internal responses to impending threats by developing a plan outlining a comprehensive approach for the protection of cyber systems, physical security and continuity of operations. Several incidents in FY 2004 had major impact on various business organizations, but have not had any measurable impact on SSA due to the Agency's preparedness management and proactive approach to Enterprise Information Technology Security.

FY 1999 – FY 2003: 0 infiltrations

Trend: SSA has never had an outside infiltration of its programmatic mainframes.

Data Definition: An infiltration is an unauthorized access that requires a cleanup or restoration of backup files to a state prior to the infiltration. This measure is a count of the number of times that an infiltration of mainframes is detected.

Data Source: Count of the times that infiltration of mainframes is detected, obtained from Change Asset and Problem Reporting System.

7.7 — Efforts to Improve Financial Performance

FY 2004 Goal: Social Security Unified Measurement System (SUMS) and Managerial Cost Accountability System (MCAS) Milestones

SUMS

1. SUMS Continuing Disability Review Operational Data Store (CDR ODS): The CDR ODS, a relational database to house data for managing the disability postentitlement workloads, will be created and populated with current year data. In addition, updated protocols will be implemented and access to the database will be provided for ad hoc querying. This is the first release of the CDR ODS project. It will provide the basis for workload control listings and management information reports in subsequent releases to achieve our long-range goal of establishing a sole source for Agency information to manage these workloads.
2. SUMS Standards: Standards will be established which will apply to all SUMS projects to enhance data integrity, provide consistent development guidelines and promote efficiency by enabling subsequent SUMS projects to take advantage of earlier work. FY 2004 standards include establishment of a model for SUMS counts within the Data Warehouse, data retention policy, data access standards, and designation of common reference tables.
3. MI Central: A web portal will be established for delivery of all standard SUMS MI reports, and workload control listings. The portal will utilize standard formats and provide a common “look and feel” for the various applications. Users will be able to save reports to a file and to store report parameters (“favorites”). All reports and listings will be in compliance with Section 508. SSI Processing Time and customer service record reports will be available in FY 2004. Additional reports will be added as development is completed.
4. Customer Service Record: The Customer Service Record project provides a unified view of available programmatic data for a caller/visitor via the Customer Service Query. Enhancements to this query will be provided, gathering data from additional sources. Web-based management information reports will be provided which will provide information about the numbers of visitors, reasons for visits and waiting time.

MCAS

1. Cost Analysis System (CAS) Renovation: Office of Earnings Operations Work Counts Release 8 of the CAS Renovation project, under the umbrella MCAS project, will substantially automate the processes currently used to compute basic workload count and work time by workload information for the Office of Earnings Operations and in entering that data in SSA’s CAS. This project will reduce the time and effort required to produce data and will enhance the accuracy and integrity of SSA’s managerial cost accounting processes.
2. MCAS Report Requirements: Determine MCAS reporting requirements. This project will use a combination of prototyping, demonstration, and interactive requirements development to determine executive and management requirements for MCAS data, reports and information delivery mechanisms.
3. Work Measurement Transition: Convert SSA Management Information System to modern technology. The purpose of this project is to transition a key legacy management information system that provides crucial data to the CAS and many other users to a modern and efficient systems architecture that makes data more accessible to end users throughout SSA.
4. MCAS Release 1: Convert SSA’s CAS to a relational data base. The purpose of this project is to transition CAS to a modern and efficient systems architecture that makes data more accessible to end users throughout SSA. This critical financial management information system provides crucial reports and data to many SSA users. Actual system use is expected to begin at the start of FY 2005.

Actual FY 2004 Performance: SSA did not meet all the SUMS/MCAS milestones.

SSA did not meet its goal due to the delay in implementing one SUMS milestone and two MCAS milestones. The SUMS/MCAS initiatives address improvements to the Agency’s management information system. These projects have a direct link to the Agency’s *stewardship* goal since they are key enablers in monitoring and reporting on Agency progress in achieving its goals and objectives and tracking resources.

The objective of the SUMS project is to create a unified measurement system for all SSA operational components that counts and measures all work in a consistent manner, regardless of where the work is processed. SUMS provides the detailed information that managers need to monitor service, forecast workloads, and make informed decisions on how best to manage work and resources.

MCAS focuses on critical performance and financial information needed by managers and employees and promotes performance accountability for the programs that SSA administers.

Each of the projects associated with the SUMS/MCAS milestones for FY 2004 are discussed below.

SUMS:

1. **SUMS Continuing Disability Review Operational Data Store (CDR ODS):** Implementation was deferred until January 2005. This was done to make modifications so that the data sources for the CDR ODS can be provided.
2. **SUMS Standards:** The SUMS standards are in place and available from the SUMS documentation website. This is an iterative project that will continue to build on the current information throughout the fiscal year.
3. **MI Central:** This application is in use for Agency employees and is used to obtain SSI processing time and customer service visitor reports. MI Central improves management control of Agency workloads, which results in better service to the public.
4. **Customer Service Record:** The enhancements to the Customer Service Query have been implemented. The Customer Service Query provides a consolidated view of 15 SSA databases. This enables employees to view all pertinent activities for members of the public on a single display, which promotes more efficient handling of their business with SSA.

MCAS:

1. **Cost Analysis System (CAS) Renovation Project:** Completion of the work, validation and acceptance for Release 8 of the CAS Renovation Project was achieved by SSA in February 2004. This provides more automated generation of Office of Earnings Operations (OEO) workload count information and a more automated propagation of OEO data into CAS input and update processes.
2. **MCAS Report Requirements:** In April 2004, after several months of intensive interviews and fact-gathering sessions to define SSA-wide business requirements for management information, a contractor has documented and delivered a comprehensive report to SSA executives. The prototype methodology presented in the final report will be the basis for designing and developing future MCAS data, reports and information delivery systems.
3. **Work Measurement Transition:** This is a multi-release project. The Agency has completed two of the systems releases but the final release is not scheduled for completion until September 2005.
4. **MCAS Release 1:** As a result of a study conducted by the Office of Systems and its contractors, the Agency expects to substantially complete the original effort to replace the current cost accounting system with a greatly improved system incorporating new, improved and far more user-supportive and responsive architecture during FY 2005. As a result of the study, the new system will also be more closely aligned with SSA budgetary information and systems requirements currently being developed.

FY 1999 – FY 2003: Not available – This is a new performance measure for FY 2004.

Trend: This is a milestone performance measure and trend data is not applicable.

Data Definition: This is a milestone measure and data is defined by the milestone goals.

Data Source: SSA's Office of Finance, Assessment and Management.

7.8 — Receive an Unqualified Opinion on SSA’s Financial Statements from the Auditors

FY 2004 Goal: Receive an unqualified opinion

Actual FY 2004 Performance: Received an unqualified opinion

SSA met its goal. Good *stewardship* goes beyond good money management. The Agency is committed to providing data that is complete and reliable to those who use it for decision-making. In accordance with the Chief Financial Officer’s Act of 1990, SSA’s financial statements were independently audited by PricewaterhouseCoopers LLP (PwC). The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In their audit, PwC found that SSA's financial statements as contained in the FY 2004 Performance and Accountability Report were presented fairly in all material respects and were in conformity with accounting principles generally accepted in the United States of America.

FY 1999 – FY 2003: SSA received an unqualified audit opinion every year.

Trend: SSA has received an unqualified opinion every year since 1994.

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.

Data Source: Auditors’ working papers.

7.9 — SSI Aged Claims Processed per Workyear (PPWY)

FY 2004 Goal: 530

FY 2004 Performance Discussion: 560

SSA met its goal. SSA’s performance indicates that sufficient resources were allocated to the processing of SSI Aged claims, taking care to process them as expeditiously as possible. This goal is directly linked to the Agency’s *stewardship* goal since it focuses on productivity. SSA will continue to give this small but financially vulnerable population the best service possible.

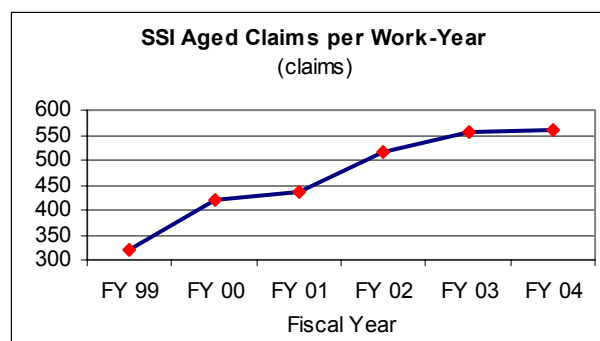
FY 1999: 322

FY 2000: 421

FY 2001: 436

FY 2002: 515

FY 2003: 556



Trend: End of year PPWY has increased each year since FY 2001. Performance can fluctuate from month to month and it does not take many cases to change the productivity rate. Furthermore, the Agency does not control

the number of applicants for this program. Performance this fiscal year is significantly higher than FYs 2001 and 2002 and slightly lower than FY 2003.

Data Definition: The number of SSI Aged Claims processed per workyear (i.e., total SSI Aged claims processed divided by the total workyears expended by field offices on this workload). A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.).

Data Source: Agency Cost Accounting System.

Strategic Goal C: To achieve sustainable Solvency and ensure Social Security programs meet the needs of current and future generations

Strategic Objective 8: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs

The following is the one KPI for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators		See page for detailed discussion
8.1	Provide support to the Administration and Congress in developing legislative proposals to achieve sustainable solvency for Social Security and implementing reform legislation	See page 61

There is also one non-KPI performance measure for Strategic Objective 8:

8.2 — Percent of Adult Americans Knowledgeable about Social Security Programs and Related Issues, Including Long-range Financing

FY 2004 Goal: Not Established – SSA conducted its first annual public understanding survey to determine the public’s knowledge of Social Security programs and related issues in September 2004. Results will be available in early FY 2005. SSA will use the findings to establish a baseline of knowledge so that the Agency can develop an appropriate measure and goal.

Actual FY 2004 performance: Not Measured

FY 1999 – FY 2003: Not Available – This was a new measure for FY 2003, but a baseline is still in the development stages.

Trend: Not Available – This was a new measure for FY 2003, but a baseline is still in the development stages.

Data Definition: The public’s knowledge of Social Security programs and related issues as determined by an annual Public Understanding Measurement System (PUMS) survey.

Data Source: The FY 2004 PUMS survey was conducted in September 2004.

Strategic Goal D: To strategically manage and align Staff to support SSA's mission

Strategic Objective 9: Recruit, develop and retain a high-performing workforce

The following lists the two KPIs for this strategic objective. Below is the location of the text describing whether or not the goal has been met.

Key Performance Indicators	See page for detailed discussion
9.1 Improve the new hire retention rate	See page 64
9.2 Milestone in developing new performance management systems	See page 65

There are also two non-KPI performance measures for Strategic Objective 9:

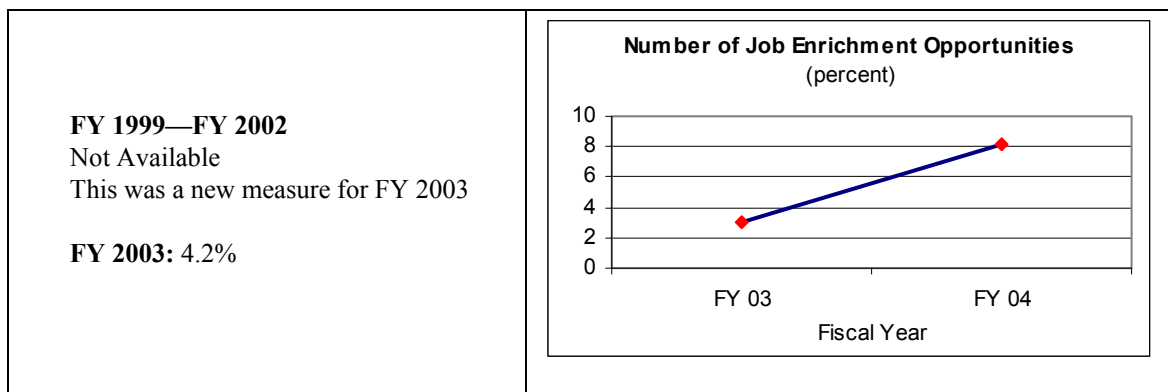
9.3 — Number of Job Enrichment Opportunities (includes Headquarters, component and regional development programs)

FY 2004 Goal: 3% of workforce

Actual FY 2004 Performance: 8.2% of workforce

SSA met its goal. Job enrichment opportunities ensure that SSA employees are prepared to deliver quality service to the public. These experiences build workforce development and knowledge management systems that are supported in the President's Management Agenda (PMA) and linked to the Agency's succession planning activities and Human Capital Plan. In addition to the national and regional development programs, non-formal component/regional job enrichment activities of 5-days or more, details and other job-related training were included as job enrichment opportunities.

The Agency had 2,726 employees representing 4.2 percent of the workforce participating in developmental or job enrichment experiences in FY 2003. In FY 2004, 5,325 employees representing 8.2 percent of the workforce participated in a developmental or job enrichment experience. Activities that support the *staff* goal also support the goals of *service*, *stewardship* and *solvency* in that SSA employees serve as key enablers to achieving all Agency goals.



Trend: This performance measure was established in FY 2003 so no goals or historical trend data is available for FYs 1999 - 2002. The original FY 2003 performance measure consisted of “formal national, component or regional career development programs of 1-2 weeks in duration.” In April 2003, the performance measure was redefined to include “any job enrichment opportunity of 5 days duration or more.” The mid-year redefinition caused a spike in May and resulted in the performance goal being exceeded. Performance this fiscal year is significantly above FY 2003. The FY 2004 goal of 3 percent was achieved in February 2004.

Data Definition: Percent of the Agency workforce participating in one of the formal national development programs or experiences (short-term formal career development training), a component program, or a regional-level program and any job enrichment experience (temporary promotion, detail, internal/external training, Individual Development Plan, etc.) of 5-days duration or more.

Data Source: Office of Training records.

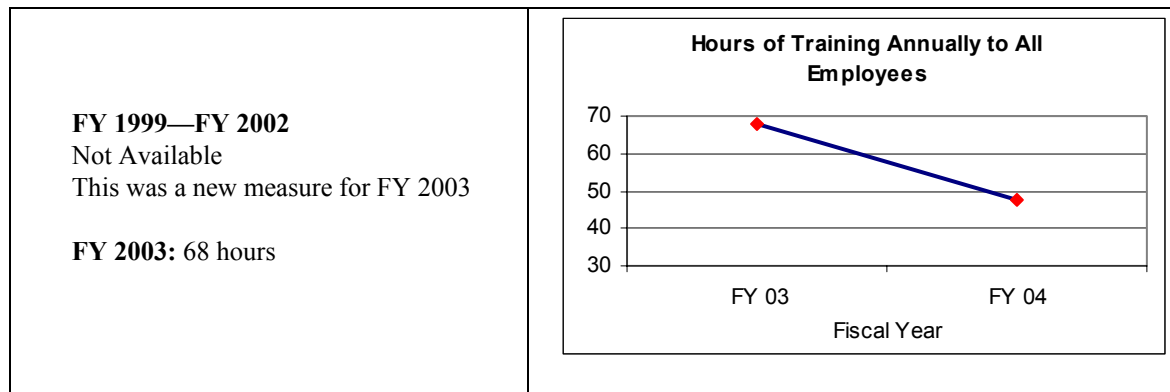
9.4 — Make available the Equivalent of 40 Hours of Training Annually to All Employees

FY 2004 Goal: Average of 40 hours of training per employee

Actual FY 2004 Performance: Average of 47.8 hours of training per employee

SSA met its goal. SSA exceeded its goal because several unanticipated general interest Interactive Video Training broadcasts were made available to all employees on topics such as Continuity of Agency Operations, Medicare Prescription Drug Improvement Act, and Rapid Growth of Internet Use By the Public.

Activities associated with the *staff* goal focus on enhancing workforce attributes, improving communications, and furthering an expansive approach to providing service to the public. In addition, the activities are designed to ensure increased stewardship of Social Security programs and resources, support reforms leading to sustainable solvency, and progress toward more responsive retirement and disability programs.



Trend: This performance measure was established in FY 2003 so no goals or historical trend data is available for FYs 1999 - 2002. The original FY 2003 performance measurement consisted of “Training available through the many venues available” (e.g., Interactive Video Training (IVT), On-Line University, traditional government-sponsored training courses and/or training conferences and seminars). The inclusiveness of the data definition resulted in substantially exceeding the goal for FY 2003. In February 2004, the performance measure was redefined to measure only “general training offered by IVT and On-Line University.” As a result, performance this fiscal year is lower than FY 2003.

Data Definition: Success is defined as having demonstrated that SSA made available on average the equivalent of 40 hours of training per employee annually through the interactive video teletraining and the online university.

Data Source: Office of Training records and the Human Resources Management Information System.

Program Assessment Rating Tool (PART) Measures

The 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) and Supplemental Security Income (SSI) Aged programs were selected for the initial assessment period and the results were published in the President's FY 2004 Budget. The same two programs were reevaluated in the summer of 2003 and the results were published in the President's FY 2005 Budget. In the summer of 2004, the entire SSI program (disabled, blind and aged) was assessed. Results will be published in the President's FY 2006 Budget.

OMB's findings from the initial assessment of the DI and SSI Aged program are consistent with the areas SSA has identified that require attention:

DI Program

- Improve the disability claims process by fully implementing technology to eliminate the need to store, locate, and mail millions of paper files and finalize proposals to redesign the disability process.
- Better connect DI beneficiaries with expanding employment opportunities for individuals with disabilities.
- Better match DI administrative resources with performance benchmarks.

SSI Aged Program

- Address payment accuracy issues by aggressively pursuing strategies outlined in SSA's Corrective Action Plan, such as simplifying income reporting requirements.
- Better match SSI administrative resources with performance benchmarks.

SSA's Strategic Plan, Annual Performance Plan (APP), and budget request all address OMB's findings from the assessment. In addition, the performance measures and targets below were provided by SSA and used by OMB and SSA to evaluate the effectiveness of the DI and SSI Aged programs. It should be noted that of the eight PART measures, seven were also Government Performance and Results Act (GPRA) measures in the FY 2005 APP and Revised Final FY 2004 APP. For the joint PART/GPRA measures, see the pages listed below for a more detailed discussion.

DI and SSI PART Measures Which Are Also GPRA Measures	See page
Average processing time for initial disability claims (DI & SSI PARTs)	See page 47
Average processing time for hearings (DI PART)	See page 48
Disability Determination Services (DDS) cases processed per workyear (PPWY) (DI PART)	See page 58
DDS net accuracy rate (allowances and denials combined) (DI & SSI PARTs)	See page 91
Percent of SSI payments free of preventable overpayments and underpayments (SSI PART)	See page 101
Number of SSA hearings cases processed per workyear (PPWY) (DI & SSI PARTs)	See page 110
SSI aged claims processed per workyear (PPWY) (SSI PART)	See page 115

The following describes the non-GPRA PART performance measure:

PART Measure – 1: Percent of Supplemental Security Income (SSI) Aged Claims Processed by the Time the First Payment is Due or within 14 Days of the Effective Filing Date

FY 2004 Goal: 75%

Actual FY 2004 Performance: 84.1%

SSA met its goal. The goal was raised from 70 percent to 75 percent this year because SSA has demonstrated increased performance over the past few years. Individuals with low income and financial assets are recipients of SSI Aged benefits. SSA 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 expeditiously as possible. SSA’s performance reflects a national commitment to make timely and accurate payments to SSI Aged recipients.

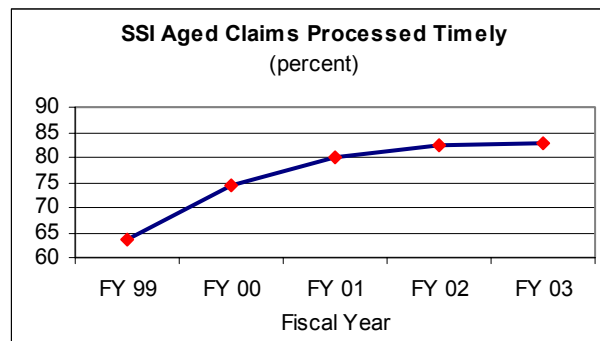
FY 1999: 63.5%

FY 2000: 74.4%

FY 2001: 79.9%

FY 2002: 82.6%

FY 2003: 83.0%



Trend: SSA has steadily improved the timeliness of SSI Aged claims processing.

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.

FY 2003 Performance Measures

The following FY 2003 Performance Measure is no longer an external GPRA measure as of FY 2004. However, SSA will continue to monitor this measure internally. The FY 2003 final data for this measure was not available in time for publication of the FY 2003 Performance and Accountability Report (PAR). Therefore, FY 2003 results are included in the FY 2004 PAR.

FY 2003 Performance Indicator: — Supplemental Security Income (SSI) Overpayment and Underpayment Accuracy Rate (including both preventable and unpreventable error)*

FY 2003 Goal: Overpayment accuracy: 93%
Underpayment accuracy: 98.8%

Actual FY 2003 Performance:
Overpayment accuracy: 93.4%
Underpayment accuracy: 98.7%

SSA almost met its goal by achieving an overpayment accuracy rate of 93.4 percent and an underpayment accuracy rate of 98.7 percent. Although SSA's accuracy rate improved slightly over FY 2002, the Agency did not meet the FY 2003 overpayment goal. Each 1 percent increase in payment accuracy equates to \$350 million of error prevented.

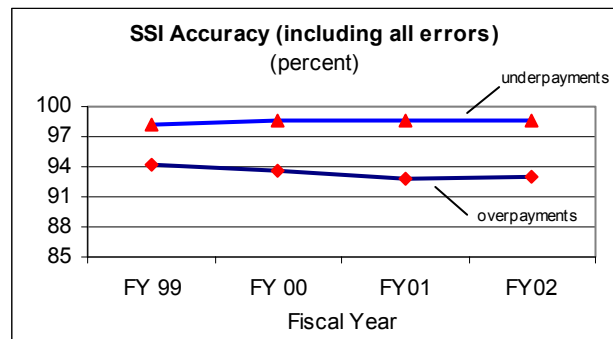
Individuals who contribute through payroll deductions, self-employment taxes, or income taxes to fund the Social Security and SSI programs need to be confident their tax dollars are properly managed. Agency *stewardship* efforts are in place to guarantee beneficiaries that their benefits are accurate and received timely. SSA has undertaken initiatives that have the most potential to improve program integrity in this area.

FY 1999:
Overpayment: 94.3%; Underpayment: 98.3%

FY 2000:
Overpayment: 93.6%; Underpayment: 98.6%

FY 2001:
Overpayment: 92.8%; Underpayment: 98.6%

FY 2002:
Overpayment: 93.0%; Underpayment: 98.6%



Trend: The percent of SSI payments free of preventable and unpreventable overpayments and underpayments did not change in a statistically significant way from previous years.

Note: For FY 2003, statistical precision at the 95 percent confidence level is +/-1.2 percent for overpayments and +/-0.3 percent for underpayments.

* Unpreventable deficiencies result from a recipient's change in circumstances that affect payment and/or eligibility, and the Agency is precluded, by the timing of the change or a legal requirement, from stopping or adjusting the affected scheduled payment(s). A payment error is the result of a deficiency in the case; e.g., an incorrect income amount posted to the Supplemental Security Record because of an incorrect report by the recipient. For more than the past decade, wages and financial accounts have been the two leading causes of overpayment deficiency dollars.

Data Definition: The SSI payment accuracy, including both preventable and unpreventable errors, is determined by an annual review of a statistically valid sample of the recipient rolls. The overpayment accuracy rates and underpayment accuracy rates are determined separately. The overpayment accuracy rate is computed by first subtracting the total amount of overpaid dollars from the total dollars paid for a fiscal year, and then dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The underpayment accuracy rate is computed by first subtracting the total amount of underpaid dollars from the total dollars paid for a fiscal year, and then dividing these dollars by the total dollars paid for the fiscal year. This percentage is subtracted from 100 percent to attain the accuracy rate. The current measuring system captures the accuracy rate of the non-medical aspects of eligibility for SSI payment outlays.

Data Source: SSI Stewardship report.

Outcome Indicators

Since its inception, Social Security has been an important source of economic security and financial stability for the American people. The programs administered by the Social Security Administration (SSA) for nearly 70 years touch the lives of virtually every American. The Old Age, Survivors, and Disability Insurance (OASDI) programs are earnings-based and provide income support to individuals who experience the onset of unexpected disability or the untimely loss of a spouse or parent, and those who have made the transition from work to retirement. The Supplemental Security Income (SSI) program is a needs-based program that provides financial support to the aged and disabled who are unable to meet their basic needs. SSA's programs, however, are not the only factors that affect the economic status of the aged, disabled, and survivor populations. Personal choices, social attitudes, and the economic climate also play important roles.

Today, 47 million people, or approximately 1 out of every 6 Americans, receive Social Security benefits. A majority of beneficiaries aged 65 and older receive more than half of their income from Social Security and a growing proportion receive all or almost all of their income from Social Security. Reliance on Social Security benefits also is increasing among beneficiaries aged 18-64. Among SSI beneficiaries, those 18-64 are more reliant on benefits than those 65 and older. Over 40 percent of adult SSI beneficiaries have no other source of income.

Beneficiaries are becoming more reliant on Social Security benefits, as personal savings and participation in defined benefit private pension plans are declining. However, participation in defined contribution plans is growing. Between 1998 and 2001 there was considerable growth in family financial assets among married persons, but asset growth was minimal for unmarried persons, and assets declined for unmarried persons approaching retirement (those aged 55-64).

The dramatic increase in the number of women who are participating in the labor force over the past 50 years has had a discernable impact on the Social Security program. The percentages of women who are insured for DI benefits and who receive OASDI benefits on their own account have been increasing each year. Women continue to have higher replacement rates than men because they have lower earnings, but the margin of difference has been narrowing.

No single indicator can capture the effectiveness of a social insurance program. Therefore, SSA has developed a number of outcomes for the OASDI and SSI programs. Each outcome contains multiple data indicators that reflect the different bases and objectives of each program. These indicators measure how well the Agency's programs provide for the economic security of its beneficiary populations. They should be considered both within the context of each other and in relation to external economic, social and other factors. SSA has committed to identify and define quantitative measures to assess the outcomes of the Agency's programs.

Beginning this year, we have added the following indicators: (1) Percentage of SSI Beneficiaries 18 or Older at or below 70 Percent of the Poverty Threshold, by Age; and (2) Ratio of SSI Benefits to Beneficiaries' Total Income, by Age.

These measures help us to understand the effect that SSA programs, individual work choices, and other factors have on income security. The items listed below are among the most important issues presented in this report.

I. Program Coverage and Eligibility

- Labor force participation is the foundation of economic security for most.
- Labor force participation of people 65 and over has increased in recent years.
- Coverage for disability is lower for women than for men.
- Almost one-third of women receive benefits only as wives or widows.
- Another 30 percent of women are entitled to a worker benefit but also receive a supplement because their spouse benefit is higher than their worker benefit.

II. Benefit Adequacy and Equity

- Poverty rates vary greatly across age groups.
- Children in Social Security beneficiary families and adult beneficiaries between ages 18 and 64 are more likely to be poor than are beneficiaries 65 and older.
- The current Social Security benefit formula provides higher replacement rates to low earners but higher benefits to those with higher incomes.
- SSI beneficiaries 18-64 are more likely to have incomes at or below 70 percent of the poverty threshold than beneficiaries 65 and older.

III. Reliance on Social Security and SSI Benefits

- About half of beneficiary families receive 50 percent or more of their income from Social Security.
- Reliance on Social Security is higher for older and lower income beneficiaries.
- Reliance on SSI benefits is greater for beneficiaries 18-64 than it is for beneficiaries 65 and older.

IV. Return-to-Work Opportunities Among Persons with Disabilities

- About 14 percent of DI beneficiaries and 6 percent of SSI disabled beneficiaries work.
- Less than 1 percent of DI and SSI disabled beneficiaries worked enough to lose benefits.

V. Private Provision for Retirement

- Less than half of today's workers have pension coverage.
- Increasingly, these plans are defined contribution plans, which provide the potential of higher returns together with individual risk.
- Levels of financial assets and net worth have been growing but indicate that many people, particularly those who are unmarried, have little private savings to supplement Social Security.

I. Measures of Program Coverage and Eligibility

OASDI benefits are based on lifetime labor force participation. The outcome indicators in this section show the extent to which individuals have worked in covered employment and meet the work requirements to be insured for old-age or disability benefits, and for women, the extent to which they receive benefits based on their own work record or the work record of a spouse.

Table IA. Labor Force Participation Rates

		Percentage of Men		
Year	25-54	55-64	65 or older	
1998	91.8	68.1	16.5	
1999	91.7	67.9	16.9	
2000	91.6	67.3	17.7	
2001	91.3	68.3	17.7	
2002	91.0	69.2	17.9	
2003	90.6	68.7	18.6	
		Percentage of Women		
Year	25-54	55-64	65 or older	
1998	76.5	51.2	8.6	
1999	76.8	51.5	8.9	
2000	76.7	51.9	9.4	
2001	76.4	53.2	9.6	
2002	75.9	55.2	9.8	
2003	75.6	56.6	10.6	

Source: U.S. Department of Labor

Labor force participation rates vary greatly by age and sex and have been changing over time, especially for women. The labor force participation rate for men aged 25 to 54 has been declining gradually since 1998. This trend is consistent with that of the past half century – participation among this group declined from 97.4 percent in 1955 to 90.6 percent in 2003. However, the trends for men aged 55 to 64 and those aged 65 and over have been quite different. Although participation for these groups declined significantly between the 1950s and the 1980s, it has stabilized among men aged 55-64, and has been increasing gradually among men aged 65 and over (Table IA). Labor force participation among women aged 25 to 54 and 55 to 64 has increased dramatically over the past 50 years. However, the rate among the former group appears to have leveled off, and has actually declined slightly (from 76.8 percent in 1999 to 75.6 percent in 2003). Participation among women 65 and over had been generally stable for many years but has increased from 8.6 percent in 1998 to 10.6 percent in 2003.

Many factors influence the rate of employment among persons aged 55 and older, including the rate of economic growth, eligibility for Social Security benefits, personal savings and both the prevalence and design of employer-sponsored pension plans. For example, Congress legislated changes in the Social Security earnings test in 1996, and again in 2000, that made it more desirable for persons aged 66 and older to continue working. Also, the trend away from defined-benefit private pension plans, which often include early-retirement subsidies, toward age-neutral defined-contribution plans, may have had a similar effect.

Table IB. Average Percentage of Quarters of Coverage of New Retired-Worker Beneficiaries

Year	Total	Men	Women
1999	73.9	81.4	64.5
2000	74.5	82.6	65.0
2001	75.7	83.8	65.9
2002	76.2	84.3	66.6
2003	76.5	84.6	67.4

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2003.

Table IC. Average Number of Years with Zero Earnings of New Retired-Worker Beneficiaries

Year	Total	Men	Women
1999	9.5	6.1	13.7
2000	9.2	6.2	13.8
2001	9.4	6.0	13.5
2002	9.1	5.9	12.9
2003	9.1	6.0	12.7

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2003.

Forty quarters of coverage are required to establish eligibility for retirement benefits. Newly retired male workers typically have earned more quarters of credit for Social Security coverage than newly retired female workers and have experienced fewer years with no earnings. Men retiring in 2003, on average, had covered earnings in about 85 percent of the quarters from age 22 to the year before first collecting retired-worker benefits, compared with 67 percent for women (Table IB). And men had, on average, 6 years with no earnings from age 22 to retirement compared with almost 13 years for women (Table IC).

The average percentage of quarters of coverage earned in Table IB is the number of quarters actually earned divided by the total number of quarters from age 22 to the year before first collecting retired-worker benefits. Years of zero earnings shown in Table IC are measured from age 22 to the last year before first collecting retired-worker benefits. This calculation does not subtract out the lowest 5 years as is done in the benefit calculation. The figures for 1999-2000 in Tables IB and IC have been modified slightly to reflect earnings posted since issuance of the last Outcome Indicators report.

Table ID. Percentage of Population Aged 62 or Older Eligible for OASDI Benefits

Year	Total	Men	Women
1999	94.1	93.6	94.5
2000	93.9	93.3	94.4
2001	94.2	93.6	94.5
2002	94.6	94.3	94.9
2003	94.7	94.8	94.5

Source: Estimate of SSA Office of the Chief Actuary, December 1999 - December 2003.

Table IE. Percentage Who Meet Work Requirements to Be Insured for Disability Benefits

Year	Percentage of Men			
	Total	20-49	50-61	62-NRA
1999	83.3	83.4	83.7	78.3
2000	83.5	83.6	84.0	77.9
2001	83.4	83.4	84.2	79.0
2002	83.5	83.5	83.8	79.9
2003	83.1	82.6	85.4	79.4

Source: Estimate of the SSA Office of the Chief Actuary, December 1999 - December 2003

Note: NRA = normal retirement age.

Year	Percentage of Women			
	Total	20-49	50-61	62-NRA
1999	71.3	72.8	68.7	57.6
2000	71.9	73.3	69.6	58.4
2001	72.4	73.7	70.5	59.5
2002	72.4	73.9	69.8	60.4
2003	73.9	74.9	73.1	62.4

Source: Estimate of the SSA Office of the Chief Actuary, December 1999 - December 2003

Note: NRA = normal retirement age.

Almost 95 percent of individuals aged 62 or older were eligible (either insured for benefits or could receive benefits based on the work record of an insured worker) for OASDI benefits in 2003 (Table ID). Eighty-three percent of men and 74 percent of women aged 20 to the normal retirement age were insured for disability (Table IE). Although fewer women were insured for disability benefits than men, the percentage insured is gradually increasing. Between 1999 and 2003, the proportion of women insured for disability benefits increased by 2.6 percentage points, while the proportion of men insured remained about the same.

Eligibility for OASDI benefits, as shown in Table ID, is based on a person's own work record or that of an insured worker. Persons not eligible for Social Security include those without enough work credits and those who work in non-Social Security-covered employment, such as some State and local governments. The normal retirement age (NRA) is the age at which a worker is entitled to an unreduced retirement benefit. For workers born after 1937, the NRA is increased gradually until it reaches age 67 for workers born on January 1, 1960 or later. Percentages for 2003 in Tables ID and IE reflect revised total population estimates.

Table IF. Type of OASDI Benefit Received by Women Aged 65 (Percentage Distribution)

Year	Total	Worker Only	Dually Entitled	Wife or Widow Only
1999	100.0	36.2	28.6	35.3
2000	100.0	36.4	28.9	34.7
2001	100.0	36.8	29.2	34.0
2002	100.0	37.2	29.4	33.3
2003	100.0	37.8	29.6	32.6

Source: Master Beneficiary Record (MBR), December 1999 - December 2003

Social Security provides benefits not only to workers but also to spouses and survivors. More women receive OASDI benefits based on their own work record only than as a spouse only. In 2003, about 38 percent of the female beneficiaries aged 65 or older were receiving only retired-worker benefits and 33 percent were receiving only a wife or widow benefit. Almost 30 percent were dually entitled to their worker benefit and a higher spouse benefit (Table IF). The proportion of aged women who were receiving only retired-worker benefits or who were dually entitled has increased by 2.6 percentage points between 1999 and 2003.

II. Measures of Benefit Adequacy and Equity

Social Security benefits and Supplemental Security Income both play an important role in the economic security of beneficiaries. Adequacy and equity are measured in terms of the size of benefits in relation to prior earnings, poverty levels, and how benefit dollars are distributed.

Table IIA.1. Earnings Replacement Rates of Retired Workers at First Benefit Receipt, by Sex

Year	Total	Male	Female
1999	42.8	37.0	52.0
2000	42.9	37.5	52.4
2001	42.6	36.7	51.8
2002	42.1	36.5	50.8
2003	41.1	35.7	50.0

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2003.

Table IIA.2. Earnings Replacement Rates of Retired Workers at First Benefit Receipt, by AIME Quintile

Year	Lowest	Second	Third	Fourth	Highest
1999	72.5	51.6	41.5	35.9	31.2
2000	71.6	52.2	41.5	36.8	31.5
2001	70.9	51.8	41.5	36.8	31.5
2002	70.1	50.8	40.5	35.0	30.2
2003	69.4	50.0	39.7	34.5	29.7

Source: 1% Continuous Work History Sample supplemented with information from the Master Earnings File for persons retiring in 1999-2003.

Because of Social Security's progressive benefit formula, low-wage workers experience higher replacement rates in retirement than other workers. Replacement rates measure the adequacy of OASDI benefits in retirement relative to prior earnings. The measure of replacement rates used in Tables IIA.1 and IIA.2 is the ratio of the retired worker's benefit based on his or her own earnings to his or her average indexed monthly earnings (AIME). The median replacement rate in 2003 was about 41 percent (Table IIA.1). Because women tend to have lower earnings than men, their median replacement rate is higher than that of men. In 2003, it was 50 percent for women compared with almost 36 percent for men. Median replacement rates ranged from 69 percent for those in the lowest earnings group to about 30 percent for those in the highest earnings group (Table IIA.2).

It is noteworthy that earnings replacement rates for men and women, and for all earnings groups, have declined over the past 3 years. This trend is due to a legislated increase in the normal retirement age, which began with persons who attained age 62 in 2000. The trend may suggest that many retirees are choosing lower benefit rates over extended participation in the labor force.

Tables IIA.1 and IIA.2 include all retirees becoming entitled to retired-worker benefits in that year, except those who had a prior entitlement to disability benefits. The replacement rates are calculated as the median of the ratio of the retired worker's benefit based on his or her own earnings (i.e., excluding any dual entitlement) to his or her own average indexed monthly earnings (AIME). The AIME is the measure of prior earnings upon which the Social Security benefit is calculated. It is calculated from the worker's highest 35 years of earnings, which have been

adjusted for changes in the average wage index to the year of attainment of age 62. AIME quintile limits for 2003 used in Table IIA.2 are: \$924 (lowest), \$1,772 (second), \$2,755 (third), \$3,986 (fourth). Quintiles are five groups of equal size.

Table IIB. OASDI Beneficiaries in Poverty

Year	Percentage in Poverty			Number in Poverty (millions)		
	Under 18	18-64	65 or older	Under 18	18-64	65 or older
1998	24.9	18.3	8.5	1.3	1.5	2.5
1999	20.2	16.6	8.1	1.0	1.4	2.4
2000	18.6	16.3	8.5	0.9	1.4	2.5
2001	20.0	17.2	8.4	1.0	1.5	2.6
2002	22.5	17.9	8.7	1.2	1.6	2.6

Source: Current Population Survey (CPS), 1998 - 2002.

Measures of poverty provide a broader assessment of the adequacy of income of those who receive OASDI benefits and SSI benefits, including other sources of income of beneficiaries and income of other family members. In 2002, the most recent year for which data are available, 8.7 percent of OASDI beneficiaries aged 65 or older (2.6 million individuals) were below poverty, slightly more than in 1998 (Table IIB). The poverty rates for beneficiaries aged 18-64 and those under age 18 declined considerably between 1998 and 2000, but increased both in 2001 and 2002. Nonetheless, the poverty rates for both groups were lower in 2002 than they were in 1998. Although the poverty rate is much lower for aged beneficiaries than for younger beneficiaries, more aged beneficiaries are poor than are working aged beneficiaries or children living in families receiving OASDI benefits.

In Table IIB, beneficiaries aged 18-64 and 65 or older are individuals who report receiving Social Security. Beneficiaries under age 18 are children in families who report receiving Social Security. Poverty is based on family money income, which does not include non-money transfers such as food stamps.

Table IIC. SSI as a Percentage of the Poverty Threshold for Persons under 65 in States with "Broad Coverage" State Supplement Groups

Federal Benefit with State Supplement	1999	2000	2001	2002	2003
California	94	93	93	96	95
Massachusetts	84	84	84	86	85
Michigan	71	71	71	72	72
New Jersey	74	73	73	74	73
New York	81	80	80	81	80
Pennsylvania	73	72	73	73	73
Federal Benefit only	69	69	69	70	69

Source: Supplemental Security Record (SSR) and data from States, 1999 - 2003.

SSI beneficiaries under age 65 residing in States with only a federal benefit received payments that raised them to 69 percent of the poverty level in 2003, a decrease of one percentage point from the prior year. Those living in States that supplemented SSI payments were raised to levels ranging from 72 percent of the poverty threshold in Michigan to 95 percent in California (Table IIC). The combined benefit rate in several of these States also declined by one percentage point.

Table IIC reflects federal SSI plus federally administered State supplements for one person. A broad coverage group includes persons with the most common type of living arrangement within each State, which varies from State to State. Individuals in such living arrangements receive an SSI federally administered State supplement together with the federal payment that moves them closer to the poverty threshold than the federal payment alone.

Table IID. Percentage of SSI Beneficiaries 18 or Older with Income at or Below 70 Percent of the Poverty Threshold

Year	Total	18-64	65 or older
2002	16.4	18.7	9.4

Source: CPS, 2002.

Table IID compares income of SSI beneficiaries to 70 percent of the poverty threshold. Age is not a factor in determining the federal benefit rate for SSI beneficiaries, but the poverty threshold for persons under age 65 is higher than it is for persons 65 and over. Therefore, the percentage of SSI beneficiaries 18-64 with income at or below 70 percent of the poverty threshold was higher than it was for beneficiaries 65 and over (Table IID). The federal benefit rate in 2002 amounted to 70 percent of the poverty threshold for persons 18-64 and 76 percent for persons 65 or older. Nonetheless, about 16 percent of beneficiaries had income below 70 percent of poverty, primarily due to differences in marital status, family composition and living arrangements. For example, the federal benefit rate for a single individual, aged 18-64 and living in his own household, would be 70 percent of the poverty threshold; however, the benefit rate would be higher or lower if the individual was married or living in the household of another.

Table IIE. Percentage of OASDI Dollars Paid, by Income Quintiles and Age

Year	65 or older					
	Total	Lowest	Second	Third	Fourth	Highest
1998	100	16	20	20	21	23
1999	100	16	20	21	21	23
2000	100	16	19	21	21	24
2001	100	16	19	20	21	23
2002	100	16	20	20	21	23

Source: CPS, 1998-2002

Table IIE. Percentage of OASDI Dollars Paid, by Income Quintiles and Age (Continued)

Year	18-64					
	Total	Lowest	Second	Third	Fourth	Highest
1998	100	15	20	21	21	23
1999	100	16	20	21	21	22
2000	100	16	19	20	22	23
2001	100	15	19	21	21	23
2002	100	15	20	21	22	22

Source: CPS, 1998 – 2002.

Although low-income workers receive proportionately higher OASDI benefits relative to past earnings, high-earning workers receive higher OASDI benefits in absolute terms. As shown in table IIA.2, the replacement rate for the lowest quintile in 2002 was 69 percent; however, individuals in this quintile aged 65 or older received only 16 percent of OASDI dollars paid in 2002 (Table IIE). Conversely, individuals in the highest quintile had a replacement rate of about 30 percent, but they received 23 percent of OASDI dollars paid.

The family income quintile limits for 2002 for those aged 65 or older are \$13,500 (lowest), \$21,760 (second), \$32,848 (third), \$54,538 (fourth). The family income limits for those 18-64 are \$12,048 (lowest), \$21,744 (second), \$35,457 (third), \$58,000 (fourth).

III. Measures of Reliance on Social Security Programs

OASDI was designed to provide a partial replacement of income lost because of retirement, disability or death of a worker. The outcome indicators in this section show both the extent to which individuals have other sources of the income they need to ensure economic security and the comparative role that OASDI and other sources play in economic security.

Table IIIA. Ratio of Family OASDI Income to Beneficiaries' Total Family Income, by Age

Year	50% or More of Total Income		90% or More of Total Income		100% of Total Income	
	18-64	65 or older	18-64	65 or older	18-64	65 or older
1998	43	55	20	22	13	12
1999	42	55	19	21	12	12
2000	43	55	20	23	14	13
2001	44	56	22	25	15	14
2002	47	57	23	25	16	15

Source: CPS, 1998-2002

Table IIIB. Ratio of Family OASDI Income to Beneficiaries' Total Family Income, by Family Money Income Quintile and Age

Year	65 or older				
	Lowest	Second	Third	Fourth	Highest
1998	88	75	59	40	22
1999	88	74	59	41	20
2000	89	75	59	41	21
2001	89	77	60	41	21
2002	90	78	62	42	22

Table IIIB. Ratio of Family OASDI Income to Beneficiaries' Total Family Income, by Family Money Income Quintile and Age

Year	18-64				
	Lowest	Second	Third	Fourth	Highest
1998	82	67	47	30	17
1999	83	67	46	29	16
2000	84	67	46	31	17
2001	86	69	47	31	18
2002	86	70	51	32	17

Source: CPS, 1998-2002

Based on survey reports of income, 57 percent of beneficiaries aged 65 or older and 47 percent of beneficiaries aged 18 to 64 rely on OASDI for half or more of their family income, and 15 to 16 percent of both age groups rely on OASDI for all of their income (Table IIIA). OASDI provides 90 percent of the family income of beneficiaries 65 or older in the lowest income quintile compared with 22 percent for those in the highest income quintile (Table IIIB). Reliance on Social Security appears to be increasing both for beneficiaries aged 18-64 and those 65 and over, as well as for beneficiaries in the four lowest income quintiles. For beneficiaries in the highest income quintile, reliance on Social Security was about the same in 2002 as it was in 1998.

Another published SSA data series presents somewhat different figures for those 65 or older than those in Tables IIIA and IIIB. The other series counts individuals and married couples based on their own benefits as a percentage of their own income to measure reliance on Social Security of the aged whether they live with other family or not. In contrast, the method used in Tables IIIA and IIIB counts individuals based on their family benefits as a percentage of their family income because this is most appropriate for those aged 18-64. The most recent numbers (2002) from the other series that correspond to those in table IIIA are 66 percent (50 percent or more of total income), 34 percent (90 percent or more) and 22 percent (100 percent). The family income quintile limits are the same in Table IIIB as in Table IIE.

Table IIIC. Ratio of SSI Benefits to Beneficiaries' Total Income, by Age

Year	50% or More of Total Income			90% or More of Total Income			100% of Total Income		
	18 or older	18-64	65 or older	18 or older	18-64	65 or older	18 or older	18-64	65 or older
2002	60	65	46	47	50	38	42	44	35

Source: CPS, 2002.

SSI beneficiaries rely heavily on benefit payments to meet their basic needs. About 60 percent receive more than half of their total income from SSI and 42 percent have no other income (Table IIIC). Beneficiaries 18-64 are more reliant on SSI benefits than those 65 and over because the latter group is more likely to receive Social Security as well.

IV. Measures of Return-to-Work Among Persons with Disabilities

Since their inception, the Disability Insurance (DI) and SSI programs have emphasized the importance of beneficiaries returning to work when possible. However, moving DI and SSI beneficiaries into employment has proven to be a substantial challenge.

Table IVA. Work Among DI Beneficiaries

Year	Working and Receiving Benefits		Benefits Suspended Due to Work Above SGA		Benefits Terminated Due to Work Above SGA	
	Number	Percent	Number	Percent	Number	Percent
1998	574,000	14.1	N/A	N/A	N/A	N/A
1999	612,000	14.5	10,000	0.2	N/A	N/A
2000	659,000	15.1	10,700	0.2	N/A	N/A
2001	662,000	14.6	12,100	0.2	29,000	0.6
2002	659,000	13.8	10,300	0.2	29,200	0.5
2003	NA	NA	9,000	0.2	27,900	0.5

Source: Data for working and receiving benefits are from the MBR matched to the Detailed Earnings Record, 1998 – 2002. Data for benefits suspended or terminated because of work above SGA after a trial work period are from MBR, 1999 - 2003.

DI beneficiaries are entitled to receive full benefits throughout a 9-month trial work period (TWP) during which they may work and have earnings above a level which constitutes substantial gainful activity (SGA)—\$800 per month in 2003. If, after completing the TWP, a beneficiary continues to have a disabling impairment and has earnings above SGA, his or her benefits are suspended. The beneficiary is also entitled to a 36-month extended period of eligibility (EPE). During the EPE, if earnings fall below the SGA level, benefit payments resume without the beneficiary's having to file a new application. After completing the EPE, if earnings continue to be above the SGA level, benefits are terminated.

In 2002 (the most recent year for which complete data are available), 13.8 percent of DI worker beneficiaries were working, with median earnings of \$2,956. The percentage of beneficiaries working declined by 1.3 percentage points between 2000 and 2002, but median earnings remained constant. In 2003, only 0.2 percent (9,000) of all DI beneficiaries had their benefits suspended after completing a TWP because they had earnings above the SGA level. Also in 2003, 0.48 percent of DI beneficiaries (27,900) had their benefits terminated because their earnings exceeded the SGA level (Table IVA). The figure on benefit terminations includes beneficiaries who completed the EPE in 2003 as well as beneficiaries who did not report that they were working, and whose earnings were not detected by SSA until after they completed the EPE.

Table IVB. Work Among Disabled SSI Beneficiaries Aged 18-64 (as a Percentage of All Disabled SSI Beneficiaries)

Year	Working Above SGA	Working At or Below SGA	Total Working
1999	0.7	6.3	7.0
2000	0.7	6.4	7.1
2001	0.6	6.1	6.7
2002	0.4	6.0	6.4
2003	0.4	5.6	6.1

Source: SSR, December 1999 - December 2003.

Table IVC. Disabled SSI Beneficiaries Aged 18 to 64 Whose Benefits Ceased Because of Work

Year	Number	Percentage of All SSI Beneficiaries	Percentage of All SSI Beneficiaries Who Work
1999	15,700	0.4	4.8
2000	16,100	0.4	4.7
2001	15,800	0.4	4.8
2002	15,300	0.4	4.7
2003	12,800	0.3	4.1

Source: SSR, December 1999 – December 2003.

About 6 percent of the disabled SSI beneficiaries aged 18 to 64 worked, with most working at or below SGA (Table IVB). Through section 1619(a) of the Social Security Act, SSI recipients who earn more than SGA can continue to receive cash benefits. Average monthly earnings in 2003 were \$302 (\$1,059 for those working above SGA and \$245 for those working at or below SGA). Of those who worked, about 4 percent (12,800) stopped receiving cash SSI benefits because of their earnings. That group constituted less than half a percent of all SSI beneficiaries (Table IVC).

The proportion of SSI beneficiaries who work has declined in each of the past 3 years. Previous research has demonstrated a strong inverse correlation between the work patterns of SSI beneficiaries and the overall rate of unemployment. The unemployment rate increased from 4.0 percent in 2000 to 4.7 percent in 2001, to 5.8 percent in

2002, and to 6.0 percent in 2003. The decline in the proportion of working DI beneficiaries noted above suggests that this finding may also apply to that population.

Table IVB does not include 69,000 persons whose earnings preclude a cash payment. They remain SSI beneficiaries for Medicaid purposes. This number declined from 82,000 in 2002. Table IVC shows the number of persons whose benefits (cash, Medicaid, or both) ceased during the quarter ending December 31. These data are reported quarterly. Quarterly numbers cannot be added together because doing so would over-count people who start and stop work more than once during a year.

V. Measures of Private Provision for Retirement

OASDI was intended to be a floor of protection in retirement that would be supplemented by employer-sponsored pensions and individual savings. Adequacy of income in retirement is highly dependent on having sources of income other than OASDI.

Table VA. Percentage Participating in an Employer-Sponsored Pension Plan

Year	Total Population				Working Population			
	Total	25-39	40-54	55-64	Total	25-39	40-54	55-64
1998	42	40	48	33	51	46	57	51
1999	43	40	48	34	52	46	57	53
2000	43	41	48	35	52	47	58	53
2001	41	39	46	35	50	45	55	52
2002	39	36	45	34	48	43	53	51

Source: CPS March Supplement 1999-2003.

In 2002, almost half of the working population had coverage in an employer-sponsored pension plan (Table VA). Plan participation was highest--53 percent--among workers aged 40 to 54. Plan participation was substantially lower for the total population than for the working population (39 percent compared with 48 percent). Historical data show that pension coverage leveled off in the 1970s at roughly half the work force covered and has remained at that level since that time. However, plan participation between 2000 and 2002 declined by 4 percentage points among both the total population and the working population. Also, pension plan participation is shifting from largely defined benefit plans toward defined contribution plans. The percentage of workers who participate in defined benefit plans has declined by about one-third over the past decade due to changes in the law and the labor market. While there has been an increase in defined contribution coverage, fewer employees have chosen to participate.

Table VA includes private pensions, federal employee pensions, military retirement, and State and local pensions. It does not include individual retirement accounts or Keoughs.

Table VB. Median Family Financial Assets and Total Net Worth (in 2001 dollars)

		Financial Assets					
		Married			Nonmarried		
Year	Total	25-54	55-64	65 or older	25-54	55-64	65 or older
1998	21,404	23,908	64,104	68,776	5,204	19,014	17,167
2001	25,600	34,000	81,000	80,000	7,600	17,300	18,000

		Net Worth					
		Married			Nonmarried		
Year	Total	25-54	55-64	65 or older	25-54	55-64	65 or older
1998	85,671	88,952	220,886	236,423	18,775	77,685	95,178
2001	97,500	112,000	266,900	274,900	21,000	80,540	91,600

Source: Survey of Consumer Finances, 1998-2001.

Assets can provide income in retirement, such as interest, dividends, and periodic withdrawals. Assets such as a home provide income until the value is recovered when sold. Income from assets comes largely from financial assets, but the most important component of most people's assets is the value of their home. Measures of both financial assets and net worth, which includes the value of the principal residence and other property and businesses, are shown here. In 2001, median family financial assets for married couples aged 65 or older were \$80,000 and median net worth was \$274,900. Non-married individuals aged 65 or older had median financial assets of \$18,000 and a median net worth of \$91,600 (Table VB). As these figures indicate, asset amounts vary greatly by marital status and age with some groups having very little accumulated in old age. Both financial assets and net worth increased considerably from 1998 to 2001 for all age groups of married couples, and generally increased less or declined for non-married persons. Financial assets declined for non-married individuals aged 55-64 and net worth declined for non-married individuals aged 65 and over.

Financial assets in Table VB include transaction accounts, certificates of deposit, bonds, stocks, mutual funds, tax-deferred retirement accounts (IRAs, Keoghs, and certain employer-sponsored accounts from which withdrawals can be made), the cash value of life insurance, and other assets such as personal annuities, trusts, and royalties. Net worth, in addition to financial assets, includes the equity in homes, nonresidential property, businesses, vehicles, and other tangible items. Asset levels vary greatly, depending on the survey and the definition used. For example, the Survey of Income and Program Participation does not include tax-deferred retirement accounts or the cash value of life insurance in assets. SSA sponsored a study of these differences and is sponsoring follow-up work to implement recommendations for improvements to wealth measures.

Program Evaluation

SSA continuously builds on its body of program data, research and analyses, identifying strengths and weaknesses in its programs and processes. The Agency uses this knowledge to help it initiate ways to meet the major challenges it faces and improve the day-to-day administration of its programs. SSA evaluates the potential impact of proposals for change and the actual effects of change after implementation.

The annual Agency coordinated evaluation plan cuts across SSA's strategic goals, objectives and business processes. It helps the Agency ensure that there are no duplications, overlaps or gaps in its evaluation program. Many of SSA's evaluations are completed on an annual basis, others are one-time efforts.

Following are brief summaries of the evaluations completed during FY 2004, organized by the strategic goals from SSA's Agency Strategic Plan (ASP). 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: To deliver high quality, citizen-centered Service

Findings from the Social Security Number Verification Service (SSNVS) User Survey

The SSNVS is designed to provide the business community with an Internet-based online or overnight SSN verification service to allow employers to verify the names and SSNs of employees after hiring, but before submitting W-2s in the annual wage reporting process. SSA's only prior verification services for employers were limited to telephone requests for the verification of five or fewer employees, or the submission of larger employee verification requests on magnetic media or on paper.

In April 2002, SSA began testing SSNVS with a group of nine volunteer employers. Of the nine employers who volunteered to participate in the first phase of the pilot, six used SSNVS during the pilot test. All of the users rated their overall satisfaction as very good or excellent. In fact, after several experiences with SSNVS, all users rated their satisfaction with the service as very good or good.

In July 2002 the final results of the survey were published. One hundred percent of the users rated SSNVS as good, very good or excellent both at the initial contact and the follow-up contact. All who had prior experience with other SSN verification services rated SSNVS as much better or better than the other services used.

In March 2003, a second phase of the pilot began and eventually involved 74 employers. SSA conducted surveys with the expanded group of SSNVS users to get their opinions on the service. All users rated SSNVS as good, very good or excellent. The vast majority of users suggest that the system would be used by many employers because it is convenient and it saves them a great deal of time.

Service Satisfaction Survey Results - Combined Rates for Fiscal Year (FY) 2004 Performance

The Service Satisfaction Surveys measure how many people who do business with SSA rate that service as very good or good. Performance indicator satisfaction ratings are derived from SSA's annual surveys of 800 number callers, field office callers and office visitors, including both field office and hearing office visitors, completed during FY 2004. A preliminary analysis conducted before the close of FY 2004 shows that the overall service satisfaction rate was 84 percent very good or good. This exceeds the Agency's goal of 83 percent.

Field office visitors were the most satisfied of those doing business with SSA. Their 89 percent very good or good rating of overall service was significantly higher than all other groups. However, since the volume of telephone contacts far outweighs the volume of office visits, the combined rating for all contacts was most strongly influenced by the satisfaction of those who handled their business by telephone.

Access (i.e., difficulties in getting through on the telephone or waiting in the office) continues to be the lowest rated aspect of service for all forms of contact. On the other hand, once customers get through, they are pleased with the service they receive.

Survey of Internet Social Security Benefit Application (ISBA) Users

In the fall of 2002 SSA surveyed benefit applicants who had used Internet Social Security Benefit Application. The survey considered the entire ISBA process from completing the online application through submission and adjudication of the claim, and the final report was completed in April 2004. Over 1,700 ISBA users were interviewed by telephone, including all types of benefit applicants—retirement, spouse and disability. Respondents were almost universally satisfied. Over half rated their experience excellent; nearly all rated the experience good or better.

Medicare, payments after stopping work due to disability, and choosing when payments would begin (month of election) were the three application sections that caused the most confusion for respondents. Over half of the applicants chose to take their paperwork into their local field office. Those respondents wanted to talk to an SSA employee, did not want to mail original documents, or simply found the field office close and convenient.

Many respondents had valuable suggestions for improving the online form, including:

- Providing a more immediate way to correct mistakes or, at least, provide more prominent instructions on how to change responses;
- Providing more information on what is needed to complete ISBA before a person commits to using it;
- Offering more links to information on specific topics;
- Helping users avoid being inadvertently “kicked out,” losing information keyed; and
- Providing explicit confirmation that the user’s information had been successfully submitted to SSA.

Beginning March 2004, SSA implemented an *online* satisfaction survey of ISBA, using the American Customer Satisfaction Index (ACSI). This gives the Agency nearly real-time data and provides detailed information on satisfaction for individuals who have not completed the application as well as those who have. Data shows that overall satisfaction is high for ISBA for individuals who have completed the application. The ACSI data shows that there is a low satisfaction level for disability filers using SBA.

Results of the surveys, and respondents’ suggestions for improvement, have provided the data necessary to make recommendations for improvements in the Retirement application online filing process while allowing the agency to adjust the number of workyears it devotes to the disability application process.

Report on Benefits Planning, Assistance and Outreach (BPAO) Survey

The Ticket to Work and Work Incentives Improvement Act of 1999 was drafted to help disabled beneficiaries return to the workforce. Under it, SSA awarded 116 cooperative agreements to a variety of community organizations to establish projects to help the disabled to make informed choices about work. These Benefits Planning, Assistance and Outreach (BPAO) projects conduct outreach programs at health fairs and clinics to locate beneficiaries who might be eligible for their services. Counselors help beneficiaries evaluate the potential effect of work on their benefits and overall financial well-being, helping them develop long-term plans to manage their work activities and benefits while they attempt to return to work.

Professional telephone interviewers from a private research firm under contract with SSA surveyed nearly 1,800 individuals who had received BPAO services between October 2001 and August 2002. The results of the survey were issued early in FY 2004. Overall, the survey found that participants had a very positive view of the BPAO program, giving a satisfaction rating of 89 percent excellent, very good or good. Benefits specialists received high ratings for the quality of service they provided when counseling program participants. Respondents’ recollection of work activity indicated that benefits counseling had helped. Before counseling, 28 percent of respondents said they were working. After counseling, 47 percent of the respondents reported they were working.

Library Bookmark Pilot

The Library Bookmark Pilot is designed to increase awareness and use of Social Security online services by disseminating bookmarks that contain Social Security’s new website address, www.socialsecurity.gov, to over 900 libraries in Pennsylvania, Maryland, Delaware and the District of Columbia. As part of the evaluation of the Library Bookmark Pilot, the SSA staff developed an online marketing survey to gather information about the public’s use of Social Security’s website. The online survey went live on December 31, 2003 and as of January 31, 2004 956 responses to the online marketing survey were received. Of the respondents, 3 percent indicated the respondent

came to SSA's website after having acquired a bookmark at a library. As part of the pilot, library seminars on Social Security online services began in January 2004.

Strategic Goal: To ensure superior Stewardship of Social Security programs and resources

Survey of Social Security Check Recipients

SSA conducted a survey in the fall of 2002 with 729 title II and 643 title XVI paper check recipients. The survey addressed issues related to satisfaction with the receipt and negotiation of paper checks, and ownership and use of financial accounts. It also solicited reasons for nonparticipation in direct deposit.

Among the findings were that reasons for direct deposit nonparticipation varied somewhat by program, but the primary reason for both was that it was "important to me to see the paper check." This accounted for 52 percent of title II and 34 percent of title XVI responses. The next most frequently cited reasons were, "don't want bank account," and, "Can't afford bank account." Overall, the survey found that paper check recipients in both programs have little motivation to switch to direct deposit. Equally important, the survey found that dealing with financial accounts and institutions is not a barrier that has to be surmounted for the majority of respondents.

In September 2004 the Treasury Department launched GO Direct, a program directed specifically toward Social Security and SSI beneficiaries and recipients, to encourage the use of direct deposit. The Treasury currently issues more than 13 million benefit checks each month. If these were converted to direct deposit, it would save the federal government about \$100 million each year. It costs around 62 cents more to issue a paper check than it does a payment by direct deposit. While SSA was unable to be a full partner in the GO Direct campaign because of other workforce commitments, it serves in an advisory capacity and fully supports the campaign. In addition to the savings accrued to the Treasury Department, it has been shown that beneficiaries are 30 times less likely to have a payment receipt problem with direct deposit than with a check. By the end of FY 2004, direct deposit rates for beneficiaries residing in the United States were at 78 percent. International direct deposit initiatives have also been highly successful with participation at 76 percent as of July 2004.

Retirement, Survivor, Disability Insurance (RSDI) Stewardship Review

The RSDI (or OASDI) payment accuracy (stewardship) review is based on a monthly sample of Social Security (Title II) cases randomly selected from the RSDI payment rolls, consisting of all beneficiaries in current payment status. The sampled cases (1,000 Retirement or Survivor Insurance cases and 500 Disability Insurance cases per year) are reviewed for non-medical factors of eligibility and, in each case, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all factors of eligibility are redeveloped as of the current 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 payments to all beneficiaries currently on the RSDI payment rolls. Accuracy rates (percent of dollars paid that are free of overpayments and the percent free of underpayments) are reported for an overall RSDI accuracy rate as well as separate accuracy rates for RSI and DI cases. The Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. In addition, the Social Security Annual Performance Plan includes the RSDI stewardship payment accuracy measure as one of the strategic objectives to which the Agency is committed.

Overall, the FY 2003 accuracy rate was 99.76 percent for overpayments and 99.90 percent for underpayments. Comparable accuracy rates for FY 2002 were 99.87 percent for overpayments and 99.92 percent for underpayments. The changes in payment accuracy from FYs 2002 to 2003 are not statistically significant.

Errors related to improper imposition of workers compensation offset provisions continued to be the leading cause of underpayment error. SSA has been proactive in its efforts to prevent and correct workers compensation payment problems. Through FY 2003, staff had reworked more than 312,000 workers compensation cases where workers compensation offset had been removed. In FY 2004 Title II redesign features provided automated tools to assist in the cleanup efforts. The Title II Release 3 software implemented in June 2004 included additional aids for processing workers compensation cases.

SSI Stewardship Review

The SSI payment accuracy (stewardship) review is based on a monthly sample of SSI (Title XVI) cases randomly selected from the SSI payment rolls, consisting of all recipients in current payment status. The 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 payment rolls. The Agency prepares two accuracy rates – percent of dollars paid that are free of overpayments and the percent free of underpayments – that are reported, one excludes preventable overpayments/underpayments and one includes preventable overpayments/underpayments. The stewardship review findings provide the basis for reports to Congress and other monitoring authorities. In addition, the Social Security Annual Performance Plan includes the SSI stewardship payment accuracy measure as one of the strategic objectives to which the Agency is committed.

SSA reviewed 5,079 cases for the review, from an SSI population of about 6.9 million individuals. In FY 2003 there were a projected \$2.2 billion in overpayments in the universe of \$35.7 billion in payments. Excluding unpreventable overpayments, the FY 2003 accuracy rate is 93.9 percent. The comparable rate for FY 2002 was 93.4 percent. The difference is not statistically significant. Excluding unpreventable errors, the FY 2003 payment accuracy for underpayments is 98.8 percent. The comparable rate for FY 2002 was 98.6 percent. The difference also is not statistically significant.

As in earlier years, financial accounts and wage errors are the two major error categories, representing approximately two-fifths of the deficiency dollars. In an effort to reduce financial account deficiencies, the SSA continues to pursue an interface that would match financial institutions' accounts with SSI recipients' records. To address the perennial issue of wage deficiencies, a pilot to evaluate the potential of recipient monthly wage reporting by telephone was completed.

Between May and December 2003, a total of 1,341 volunteers participated in the SSI Monthly Wage Reporting Pilot by making one or more wage reports using a new automated telephone system. There were 688 SSI recipients, 636 deamors and 17 participants who were both recipients and deamors (disabled adults who were the parents of disabled children). These individuals had the option of speaking their reports or keying them in using a touch-tone keypad. The greatest hurdle was leading potential participants through a two-step password registration process, which half who attempted were unable to negotiate. The 1,341 who were successful required a good deal of assistance from their local field office. In the future SSA plans to offer knowledge-based authentication as an alternative to password authentication.

The pilot found that 15 percent of the volunteers reported for only 1 or 2 months, while 83 percent of the remaining pilot participants reported every month without interruption. The dollar accuracy of reported wages was 92.2 percent. (In contrast, the dollar accuracy of the wage estimates on the Supplemental Security Record (SSR) before the reports was 75.5 percent.) In addition, 68 percent of the wage reports were exactly the same as the verified amount (in contrast, only 9 percent of the wage estimates on the SSR before the report was made were exactly the same as the verified amount), 14 percent of the reports would have resulted in the generation of an alert to be resolved by field office wage development (in contrast, 50 percent of the estimates on the SSR, before the report was made, would have resulted in the generation of the alert). The pilot findings were about the same for SSI recipients and deamors.

Based on the pilot results, SSA estimates that approximately \$200 in annual SSI overpayments would be prevented for every person who would reports wages monthly. It is also estimated that approximately \$400 in annual SSI underpayments would be prevented for every person who reports wages monthly. If 10,000 people participated, \$2 million in overpayments and \$4 million in underpayments would be prevented. The error prevention should exceed the \$2 to \$3 million a year it would cost to offer SSI monthly wage reporting to the general SSI population.

Strategic Goal: To achieve Solvency and ensure Social Security programs meet the needs of current and future generations

Public Understanding Measurement System Survey (PUMS)

In the last quarter of FY 2004, SSA conducted a new survey of public knowledge to help the Agency understand what the public knows about important Social Security issues. The findings from this PUMS survey help us to better understand the public's knowledge of Social Security programs and related issues, and to gauge the public's awareness and use of the Social Security Statement.

Annual Report of the Supplemental Security Income Program

In the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), the Congress required the Commissioner of Social Security to report annually to the President and to the Congress on the status of the Supplemental Security Income (SSI) program. A required element of these reports is to provide projections of program participation and costs through at least 25 years. The FY 2004 report is the eighth of such reports, and following are its major findings.

By 2028, the end of the 25-year projection period, the Federal SSI recipient population is estimated to reach 8.5 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 of the 65 or older age groups projected to decline and the participation of the under 65 age groups projected to increase slightly. Expressed as a percentage of the total U.S. population, the number of Federal SSI recipients remained essentially level at 2.2 percent in 2003, and is projected to increase gradually to 2.4 percent of the population by 2028. Federal expenditures for SSI payments in calendar year 2004 are estimated to increase by \$1.7 billion to \$34.7 billion, an increase of 5.2 percent from 2003 levels.

In constant 2004 dollars, Federal expenditures for SSI payments are projected to increase to \$43.8 billion in 2028, a real increase of 1.0 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 0.30 percent of GDP in 2003 to 0.24 percent of GDP by 2028.

These findings are used by both the Legislative and Executive branches of Government to assess the solvency of the SSI program, as well as to propose and enact legislation with regard to the program's future and its relation to the American economy.

The 2004 Annual Report of the Board of Trustees of the Federal OASI and DI Trust Funds

The Board of Trustees reports each year on the current and projected financial condition of the Social Security program, which is financed through two separate trust funds. The Old-Age and Survivors Insurance (OASI) Trust Fund pays monthly benefits to retired workers and their families and to survivors of deceased workers. The Disability Insurance (DI) Trust Fund pays monthly benefits to disabled workers and their families.

The report on the current financial status of the funds includes an accounting of the actual income and expenditures for the last year. The projections for future years reflect the Trustees' considered judgment about all the demographic, economic, and program factors that affect income and expenditures. Projections are presented separately for the next 10 years (the short range) and for the next 75 years (the long range). All projections are based on current Social Security law and do not anticipate any future changes that Congress might make.

The OASI and DI Trust Funds, individually and combined, are adequately financed over the next 10 years under the intermediate assumptions. The combined assets of the OASI and DI Trust Funds are projected to increase from \$1,531 billion at the beginning of 2004, or 306 percent of annual expenditures, to \$3,584 billion at the beginning of 2013, or 442 percent of annual expenditures in that year. Combined assets were projected in last year's report to rise to 309 percent of annual expenditures at the beginning of 2004, and 461 percent at the beginning of 2013.

Under the intermediate assumptions the combined OASI and DI Trust Funds are projected to become exhausted in 2042. For the 75-year projection period, the actuarial deficit is 1.89 percent of taxable payroll, 0.03 percentage point smaller than in last year's report. The open group unfunded obligation for OASDI over the 75-year period is \$3.7 trillion in present value, \$0.2 trillion more than the obligation estimated a year ago.

The OASDI annual cost rate is projected to increase from 11.07 percent of taxable payroll in 2004, to 16.83 percent in 2030, and to 19.29 percent in 2078, or to a level that is 5.91 percent of taxable payroll more than the projected

income rate for 2078. Expressed in relation to the projected gross domestic product (GDP), OASDI cost is estimated to rise from the current level of 4.3 percent of GDP, to 6.3 percent in 2030, and to 6.6 percent in 2078.

Between about 2010 and 2030, OASDI cost will increase rapidly due to the retirement of the large baby-boom generation. After 2030, increases in life expectancy and relatively low fertility rates will continue to increase Social Security system costs, but more slowly. Annual cost will exceed tax income starting in 2018 at which time the annual gap will be covered with cash from redeeming special obligations of the Treasury, until these assets are exhausted in 2042. Separately, the DI fund is projected to be exhausted in 2029 and the OASI fund in 2044.

The combined OASDI Trust Funds are projected to become insolvent (i.e., unable to pay scheduled benefits in full on a timely basis) when assets are exhausted in 2042 under the long-range intermediate assumptions. For the trust funds to remain solvent throughout the 75-year projection period, the combined payroll tax rate could be increased during the period in a manner equivalent to an immediate and permanent increase of 1.89 percentage points, benefits could be reduced during the period in a manner equivalent to an immediate and permanent reduction of 12.6 percent, general revenue transfers equivalent to \$3.7 trillion (in present value) could be made during the period, or some combination of approaches could be adopted. Significantly larger changes would be required to maintain solvency beyond 75 years.

The full report is transmitted to the Congress annually, which then uses its legislative authority to adjust benefits amounts, payments to the trust funds, and/or entitlement factors.

Strategic Goal: To strategically manage and align Staff to support SSA's mission

The Human Capital and Future Workforce Transition Plans

A December 2000 analysis projected that during the ensuing decade approximately 37 percent of SSA's workforce will retire. This "retirement wave," without careful long-range human resource planning, will affect the Agency's ability to deliver service to the public and will result in a significant drain in institutional knowledge. To counter this, in December 2003 SSA released its Human Capital Plan, which contains the Agency's comprehensive human capital strategy for recruiting, developing and retaining a high-performing workforce. The plan identifies specific, measurable steps to be undertaken to ensure that this occurs, identifying five key areas where activities should be measured in order to determine Agency success in achieving human capital results. The five areas are: Strategic Alignment; Workforce Planning; Workforce Development and Knowledge Management; Performance Culture; and Leadership.

The means by which SSA tracks progress towards meeting the Human Capital Plan goals, resides in the Future Workforce Transition Plan. Quarterly status reports track Agency progress in meeting the goals. Both plans are aligned with SSA's mission, goals and organizational objectives and play a vital role in helping to manage the Agency's human capital activities and performance.



Financial Section

A Message from the Chief Financial Officer

Fiscal year (FY) 2004 has been another successful year for the Social Security Administration in the area of financial management culminating with the Agency receiving an unqualified (clean) opinion on its consolidated financial statements for the eleventh consecutive year. I am also proud of our record in implementing the President's Management Agenda (PMA) Improved Financial Performance initiative and remaining "green" for both status and progress in that category. In addition, I believe the unprecedented recognition SSA received as awardees in the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for the sixth consecutive year and the Presidential Award for Management Excellence competitions are evidence of the Agency's commitment to sound financial management practices.



The unqualified opinion on our FY 2004 financial statements attests to the fact that SSA's financial statements are fairly presented and demonstrates discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. The auditor stated, however, that SSA has a reportable condition that requires the Agency to further strengthen controls to protect its information. They also indicated that SSA has made significant progress in addressing these information protection issues. SSA's "Systems and Controls" section provides information on SSA's plan to eliminate the reportable condition.

On October 1, 2003, SSA replaced its core accounting system with a commercial off-the-shelf Joint Financial Management Improvement Program certified financial accounting system. The new system is in compliance with all Office of Management and Budget requirements, incorporates commercial best practices and includes the Agency's core accounting functions. Within the next few months we will begin interfacing the new accounting system with additional administrative systems to further improve the Agency's ability to soundly manage assets and we will continue to invest in infrastructure needed to sustain superior performance into the future.

The Agency continues to meet all the standards for obtaining a "green" score in both status and progress for the PMA Improved Financial Performance. The Agency has new initiatives to "Get Beyond Green" that will improve the quality, consistency and access to information used by managers and analysts to manage work and account for resources. The lynchpin to these initiatives is a modernized cost accounting system which will consolidate workload count and human resource use consistently throughout the Agency, regardless of where the work is performed, and provide unit cost and productivity management information for the Agency's programs down to the office level to support strategic decisionmaking.

In the coming year, we will continue to focus on the initiatives related to the PMA, continue enhancements to our new accounting system and continue to develop a modernized cost accounting system. Our goal remains to provide timely, reliable and useful financial management information to Congress and to the American public.

A handwritten signature in black ink that reads "Dale W. Sopper".

Dale W. Sopper
Chief Financial Officer
November 10, 2004

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2004 and 2003 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2004 and 2003, 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, 2004 and 2003. 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, 2004 and 2003. 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 periods ended September 30, 2004 and 2003. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.
- The **Consolidated Statements of Financing** reconcile the net cost of operations with the obligation of budgetary resources for the periods ended September 30, 2004 and 2003. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.
- The required **Supplementary Stewardship Information: Statement of Social Insurance** discloses the 75-year projection of the Actuarial present value of the Old-Age Survivors and Disability Insurance gross and net future benefit obligations expected to arise from the formulas specified in current law for current and future program participants. This projection is considered to be important information regarding potential future cost of the program. These projected potential future obligations under current law are not included in the Consolidated Statements or their accompanying footnotes.

Consolidated Balance Sheets as of
September 30, 2004 and September 30, 2003

Assets	(Dollars in Millions)	
	2004	2003
Intragovernmental:		
Fund Balance with Treasury (Note 4)	\$ 3,148	\$ 2,310
Investments (Note 5)	1,635,398	1,484,219
Interest Receivable, Net (Note 6)	22,315	\$ 20,933
Accounts Receivable, Net (Note 6)	624	872
Total Intragovernmental	1,661,485	1,508,334
Accounts Receivable, Net (Notes 3 and 6)	6,182	5,830
Property, Plant and Equipment, Net (Note 7)	1,231	909
Other	9	6
Total Assets	\$ 1,668,907	\$ 1,515,079
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,712	\$ 3,767
Accounts Payable	4,993	6,261
Other	247	259
Total Intragovernmental	8,952	10,287
Benefits Due and Payable	51,569	49,487
Accounts Payable	489	387
Other	1,205	1,133
Total	62,215	61,294
Net Position		
Unexpended Appropriations	1,489	705
Cumulative Results of Operations	1,605,203	1,453,080
Total Net Position	1,606,692	1,453,785
Total Liabilities and Net Position	\$ 1,668,907	\$ 1,515,079

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

Consolidated Statements of Net Cost for the Years Ended
September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
OASI Program		
Benefit Payments	\$ 412,474	\$ 397,654
Operating Expenses (Note 9)	2,537	2,481
Total Cost of OASI Program	415,011	400,135
Less: Exchange Revenues (Notes 10 and 11)	16	7
Net Cost of OASI Program	414,995	400,128
DI Program		
Benefit Payments	75,169	69,800
Operating Expenses (Note 9)	2,221	2,045
Total Cost of DI Program	77,390	71,845
Less: Exchange Revenues (Notes 10 and 11)	15	7
Net Cost of DI Program	77,375	71,838
SSI Program		
Benefit Payments	35,216	33,217
Operating Expenses (Note 9)	2,872	2,789
Total Cost of SSI Program	38,088	36,006
Less: Exchange Revenues (Notes 10 and 11)	293	265
Net Cost of SSI Program	37,795	35,741
Other		
Benefit Payments	13	429
Operating Expenses (Note 9)	1,279	1,292
Total Cost of Other	1,292	1,721
Less: Exchange Revenues (Notes 10 and 11)	15	9
Net Cost of Other	1,277	1,712
Total Net Cost		
Benefit Payments	522,872	501,100
Operating Expenses (Note 9)	8,909	8,607
Total Cost	531,781	509,707
Less: Exchange Revenues (Notes 10 and 11)	339	288
Total Net Cost	\$ 531,442	\$ 509,419

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)			
	2004		2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,453,080	\$ 705	\$ 1,297,567	\$ 794
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received		52,536		48,822
Other Adjustments	0	0	0	(128)
Appropriations Used	51,752	(51,752)	48,783	(48,783)
Tax Revenues (Note 12)	559,661		546,808	
Interest Revenues	87,616		84,220	
Transfers-In/Out (Note 13)				
Trust Fund Draws and Other - In	1,740		1,244	
Trust Fund Draws and Other - Out	(13,958)		(12,814)	
Railroad Retirement Interchange	(3,788)		(3,802)	
Net Transfers-In/Out	(16,006)		(15,372)	
Other Budgetary Financing Sources	85		87	
Other Financing Sources				
Transfers In-Out	5		9	
Imputed Financing Sources (Note 14)	452		397	
Total Financing Sources	683,565	784	664,932	(89)
Net Cost of Operations	531,442		509,419	
Ending Balances	\$ 1,605,203	\$ 1,489	\$ 1,453,080	\$ 705

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
Budgetary Resources Made Available (Note 15)		
Budget Authority		
Appropriations Received	\$ 699,908	\$ 679,191
Net transfers (+/-)	(4)	0
Unobligated Balances		
Beginning of Period	930	1,021
Net transfers (+/-)	(2)	0
 Spending Authority from Offsetting Collections		
Earned		
Collected	4,319	3,902
Change in Receivable	(77)	85
Change in Unfilled Customer Orders		
Advance Received	1	0
Without Advance	(1)	1
Transfers from Trust Funds		
Collected	8,410	7,907
Anticipated	449	28
Subtotal	13,101	11,923
Recoveries of Prior Year Obligations	222	360
Temporarily Not Available Pursuant to Public Law	(151,236)	(153,686)
Permanently Not Available	(7)	(180)
Total Budgetary Resources	\$ 562,912	\$ 538,629
Status of Budgetary Resources: (Note 15)		
Obligations Incurred:		
Direct	\$ 556,563	\$ 533,748
Reimbursable	4,231	3,951
Subtotal	560,794	537,699
Unobligated Balances		
Apportioned	1,509	709
Unobligated Balances - Not Available	609	221
Total Status of Budgetary Resources	\$ 562,912	\$ 538,629
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	\$ 58,068	\$ 56,299
Obligated Balance - End of the Period		
Accounts Receivable	(2,191)	(1,820)
Unfilled Customer Orders	0	(1)
Undelivered Orders	1,350	1,150
Accounts Payable	59,105	58,739
Outlays:		
Disbursements	560,013	535,456
Collections	(12,730)	(11,809)
Subtotal	547,283	523,647
Less: Offsetting Receipts	16,999	15,626
Net Outlays	\$ 530,284	\$ 508,021

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

Consolidated Statements of Financing for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 560,794	\$ 537,699
Less: Offsetting Collections	(13,323)	(12,283)
Obligations Net of Offsetting Collections	547,471	525,416
Less: Offsetting Receipts	(16,999)	(15,626)
Net Obligations	530,472	509,790
Other Resources		
Transfers In/Out Without Reimbursement (+/-)	0	9
Imputed Financing	452	397
Other	(305)	(256)
Net Other Resources Used to Finance Activities	147	150
Total Resources Used to Finance Activities	530,619	509,940
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	(201)	(117)
Resources that Fund Expenses Recognized in Prior Periods	1,277	(337)
Budgetary Offsetting Collections and Receipts that Do Not affect Net Cost of Operations	16,999	15,627
Resources that Fund Capitalized Costs	(498)	(387)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(17,118)	(15,631)
Total Resources Not Part of the Net Cost of Operations	459	(845)
Total Resources Used to Finance the Net Cost of Operations	531,078	509,095
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods (Note 16)		
Increase in Annual Leave	15	13
Other	164	162
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	179	175
Components Not Requiring or Generating Resources		
Depreciation and Amortization	181	158
Other	4	(9)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	185	149
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	364	324
Net Cost of Operations	\$ 531,442	\$ 509,419

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

Notes to the Principal Financial Statements
For the Years Ended September 30, 2004 and 2003
(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 programs (OASDI) 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 reconciliation of net cost to budgetary resources as required by the Chief Financial Officers Act of 1990.

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 the Office of Management and Budget (OMB) in OMB Bulletin 01-09. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board. These statements are different from the financial reports, also prepared by SSA, pursuant to OMB directives that are used to monitor and control SSA's use of budgetary resources. 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 of three trust funds, three deposit funds, and four general fund appropriations. The trust funds are the Old-Age and Survivors Insurance (OASI) Trust Fund, the Disability Insurance (DI) Trust Fund and the Limitations on Administrative Expenses (LAE). 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. The fund balance with the Department of the Treasury, shown on the Balance Sheet, represents the total of all SSA's account balances with the Department of the Treasury.

Medicare Reform Prescription Drug Program

On December 8, 2003, the President signed the Medicare Prescription Drug Improvement and Modernization Act of 2003 (Public Law 108-173). SSA will play a significant role in implementing this law which provides a \$500 million appropriation for startup costs in FY 2004 and 2005. SSA will make low income subsidy determinations, calculate Part B premiums for high income beneficiaries and withhold premiums appropriate to beneficiaries' selected plans.

Black Lung Program

Title IV of the Federal Mine Safety and Health Act authorizes monthly benefits to coal miners disabled from coal workers' pneumoconiosis (black lung) and to their widows and certain other dependents. Between December 30, 1969 (when the program originated) and June 30, 1973, Part B of the Act assigned processing and paying of claims to SSA. Effective July 1, 1973, Part C of the Act required the Department of Labor (DOL) to process and pay new claims. Effective October 1, 2003, Public Law 107-275 transferred the processing and payment operations of Part B claims from SSA to DOL, which now consolidates the entire Black Lung (BL) program within DOL. SSA's financial statements only include residual BL activity.

Investments

Trust fund balances not required to meet current expenditures are invested on a daily basis in interest-bearing obligations of the U.S. Government. 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 issues and bonds. Special issues are special public debt obligations for purchase exclusively by the 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 Balance Sheet. U.S. Treasury bonds are carried at amortized cost.

Property, Plant and Equipment

SSA's property, plant and equipment (PP&E) are recorded in the LAE program, but are considered assets of the OASI and DI Trust Funds. 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 trust funds for their use of 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. SSA capitalizes new PP&E costing over \$100,000.

The change in PP&E from one reporting period to the next is presented on the Statement of Financing's Resources that Fund Capitalized Costs. This line item presents the effect on budgetary obligations for capital assets purchased by the OASI, DI and Health Insurance/Supplemental Medical Insurance (HI/SMI) Trust Funds. However, HI/SMI's share of capital assets is presented on the Centers for Medicare and Medicaid Services' (CMS) financial statements.

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 (See Note 8, Liabilities).

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 trust or general fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate 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. As transfers are made from the appropriate trust or general funds into LAE, similar obligations are recorded in each of these financing sources. Since LAE is reported with its funding sources (other than the HI/SMI Trust Funds) on the Statement of Budgetary Resources

(SBR) and the SBR is a combined statement that does not allow eliminations, LAE's obligations are recorded twice on the SBR. This is in compliance with OMB's directive to have the SBR in agreement with the required Budget Execution Reports (SF-133's).

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 FICA taxes payable, actual SECA taxes paid and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate), income taxation of Social Security benefits and interest on trust fund unnegotiated benefit payment checks are also included in tax revenues (See Note 12, 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 (See Note 10, 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 Statement 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.

Reclassifications

Certain FY 2003 balances have been reclassified to conform to FY 2004 financial statement presentations, the effect of which is immaterial.

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. Accordingly, 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 Statement 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.

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 CSRS were \$125 and \$130 million for the years ended September 30, 2004 and 2003. SSA contributions to the basic FERS plan were \$193 and \$171 million for the years ended September 30, 2004 and 2003. In addition, SSA contributions to the FERS savings plan were \$72 and \$65 million for the years ended September 30, 2004 and 2003. 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 \$2,767 and \$1,686 million as of September 30, 2004 and 2003. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable and (2) fees collected to administer SSI State Supplementation that are returned to the General Fund.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are \$2,611 and \$1,537 million as of September 30, 2004 and 2003. The SSI accounts receivable, net has been reduced by \$2,609 and \$4,936 million for FY 2004 and 2003 respectively as intra-agency elimination. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the General Fund of the Treasury. These funds, upon deposit, are assets of the General Fund of the Treasury and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable is recognized as a non-entity asset.

The amounts of fees collected to administer SSI State Supplementation are \$273 and \$256 million for the years ended September 30, 2004 and 2003. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. A portion of the fees collected, \$156 and \$149 million are deposited directly to a Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets as of September 30, 2004 and 2003. A corresponding accounts payable to the General Fund is presented so that net position is not affected by this activity. Refer to Note 10, Exchange Revenues, for a description of the SSI State Supplementation fees.

4. *Fund Balance with Treasury*

The Fund Balance with Treasury, 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. Trust fund budgetary accounts are not used in chart 4b since 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)		
	2004	2003		2004	2003
Trust Funds			Unobligated Balance		
OASI	\$ 46	\$ (24)	Available	\$ 1,212	\$ 486
DI	(14)	359	Unavailable	132	102
LAE	102	(132)	Obligated Balance not yet		
Appropriated Funds			Disbursed	1,115	988
SSI	2,940	1,999	Trust Funds	134	203
Other	74	108	Deposit & Receipt Accounts	555	531
Total	\$ 3,148	\$ 2,310	Total	\$ 3,148	\$ 2,310

In FY 2004 and 2003, the negative fund balances reported for the trust funds are the result of the policy to protect the trust fund investments by not liquidating the investments until the cash is needed. Transfers between the trust funds and Treasury are managed to favor the financial position of the trust funds. Therefore, investments held by the trust funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with Treasury year-end reporting requirements, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. *Investments*

Chart 5 displays SSA's investments in U.S. par-value Treasury special securities and U.S. Treasury bonds at amortized cost. Treasury specials are Treasury securities that are issued directly by the Treasury Secretary to a government investment account that are non-negotiable and non-transferable in the secondary market. Par-value Treasury specials 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 8 3/4 percent and are payable on September 30, December 31, and at maturity or redemption. Investments held for the trust funds mature at various dates ranging from the present to the year 2019.

Chart 5 - Investments as of September 30: (\$ in millions)		
	2004	2003
Special Issue U.S. Treasury Securities	\$ 1,635,368	\$ 1,484,189
U.S. Treasury Bonds - Carrying value	30	30
Total Investments	\$ 1,635,398	\$ 1,484,219

6. *Interest and Accounts Receivable*

Interest Receivable

Intragovernmental Interest Receivable, Net reported on the Consolidated Balance Sheets consists of accrued interest receivable on trust fund investments with the U.S. Treasury. Interest amounts are \$22,315 and \$20,933 million for the years ended September 30, 2004 and 2003.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. FY 2003 OASI and DI amounts consist of military service wage credits that were collected in June 2004. The LAE net receivable amount represents amounts to be paid from the HI/SMI Trust Funds.

	2004		2003	
	Gross/Net Receivable		Gross/Net Receivable	
OASI	\$	0	\$	531
DI		0		90
LAE		2,183		1,735
Sub-Total		2,183		2,356
Less:				
Elimination*		(1,559)		(1,484)
Total	\$	624	\$	872

* Intra-agency Eliminations

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.

Chart 6a also shows that in FY 2004 and 2003, gross accounts receivable was reduced by \$1,559 and \$1,484 million as an intra-agency elimination. This elimination is to offset SSA's LAE receivable to be paid from the appropriate trust or general fund with corresponding trust or general fund payables set up for anticipated LAE disbursements.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6b. 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 6b - Accounts Receivable with the Public by Major Program as of September 30: (\$ in millions)						
	2004			2003		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 1,948	\$ (98)	\$ 1,850	\$ 2,088	\$ (96)	\$ 1,992
DI	3,199	(1,094)	2,105	3,011	(1,027)	1,984
SSI*	7,113	(1,823)	5,290	8,315	(1,702)	6,613
Other	0	0	0	7	0	7
LAE	228	0	228	170	0	170
Sub-Total	12,488	(3,015)	9,473	13,591	(2,825)	10,766
Less:						
Eliminations**	(3,291)	0	(3,291)	(4,936)	0	(4,936)
Total	\$ 9,197	\$ (3,015)	\$ 6,182	\$ 8,655	\$ (2,825)	\$ 5,830

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

In FY 2001, SSA detected an error which affected about 228,000 SSI recipients who were eligible to receive DI benefits, but were paid either SSI or OASI benefits. At that time, OASI and SSI receivables were established for \$56 and \$3,770 million. In FY 2004, these Special Disability Workload (SDW) cases decreased by the amount of the discharged liabilities for cases that have been adjudicated. In addition, estimates have decreased as a result of enhancements to the models and sample data used in the estimates.

Current estimates indicate that there are about 133,000 SDW cases remaining. For FY 2004, SDW receivables are included in Chart 6b. OASI SDW receivables are \$682 and \$851 million as of September 30, 2004 and 2003. DI SDW receivables are less than \$1 and \$11 million as of September 30, 2004 and 2003. SSI SDW net receivables are \$2,437 and \$3,902 million as of September 30, 2004 and 2003.

Chart 6b shows that in FY 2004 and 2003, gross accounts receivable was reduced by \$3,291 and \$4,936 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Since payment of the retroactive OASI and DI benefits results in an overpayment of SSI benefits, the overpaid SSI amounts are offset from the OASI and DI retroactive payments. Therefore, these offsets are presented as intra-agency elimination.

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 allowance 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:	2004			2003				
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value		
Land	\$ 5	\$ 0	\$ 5	\$ 5	\$ 0	\$ 5		
Buildings	386	(190)	196	383	(180)	203		
Equipment (incl. ADP Hardware)	340	(268)	72	327	(241)	86		
Internal Use Software	1,202	(262)	940	740	(158)	582		
Leasehold Improvements	188	(170)	18	185	(152)	33		
Total	\$ 2,121	\$ (890)	\$ 1,231	\$ 1,640	\$ (731)	\$ 909		

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	7-10 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)							
	2004			2003			
	Covered	Not Covered	Total	Covered	Not Covered	Total	
Intragovernmental:							
Accrued RRI	\$ 3,712	\$ 0	\$ 3,712	\$ 3,767	\$ 0	\$ 3,767	
Accounts Payable	3	4,990	4,993	0	6,261	6,261	
Other	38	209	247	59	200	259	
Total Intragovernmental	3,753	5,199	8,952	3,826	6,461	10,287	
Benefits Due and Payable	50,318	1,251	51,569	48,391	1,096	49,487	
Accounts Payable	182	307	489	120	267	387	
Other	227	978	1,205	176	957	1,133	
Total	\$ 54,480	\$ 7,735	\$ 62,215	\$ 52,513	\$ 8,781	\$ 61,294	

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. Refer to Note 13, Intra-Governmental Financing Sources, for a description of the RRB transfer.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable not covered by budgetary resources is SSI Receivables Owed to Treasury. This custodial liability is recorded for the collection of SSI benefit overpayments that are payable from SSA to the General Fund of the Treasury when overpayments are identified. It directly relates to the accounts receivable established in the asset portion of the Balance Sheet. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

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. Intragovernmental Other Liabilities not covered by budgetary resources includes \$156 and \$149 million as of September 30, 2004 and 2003 for SSI State Fees payable to the General Fund. 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. Current fiscal year claim amounts to be paid by SSA within two years are the current portion. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability was \$53 and \$51 million as of September 30, 2004 and 2003.

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, 2004 and 2003. 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.

	2004	2003
OASI	\$ 37,055	\$ 35,878
DI	16,048	16,967
SSI	1,757	1,541
Other	0	37
Sub-Total	54,860	54,423
Less: Intra-agency eliminations	(3,291)	(4,936)
Total	\$ 51,569	\$ 49,487

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b include estimated payables related to SDW (See Note 6, Interest and Accounts Receivable). OASI payables are \$327 and \$773 million as of September 30, 2004 and 2003. DI payables are \$4,516 and \$6,652 million as of September 30, 2004 and 2003. In FY 2004, the DI payables have decreased due to SDW cases decreasing by the amount of the discharged liabilities for cases that have been adjudicated. In addition, estimates have decreased as a result of enhancements to the models and sample data used in the estimates.

Chart 8b also shows that as of FY 2004 and 2003, gross Benefits Due and Payable was reduced by \$3,291 and \$4,936 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases (See 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, 2004 and 2003.

Chart 8c - Net SDW Liability as of September 30: (\$ in millions)		
	2004	2003
Net DI Liability	\$ 4,516	\$ 6,641
Net OASI Receivable	(355)	(78)
Net SSI Receivable	(2,437)	(3,902)
Net Liability Due to the Public	\$ 1,724	\$ 2,661

Accounts Payable

Accounts Payable not covered by budgetary resources consists of payments due to the states for their portion of SSI benefit payments made by SSA, underpayments due to SSI recipients, and the state portion of SSI windfall amounts. Since SSA receives payments from the states for their portion of SSI benefits, any excess payments are returned to the states and recognized as accounts payable.

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 actuarial liability. The non-current portion of \$288 and \$305 million as of September 30, 2004 and 2003 is comprised of claims that will be paid more than one year in the future. 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

SSA is a party to various class action lawsuits related to benefits paid or payable. These suits may be lost, in whole or in part, in lower courts and/or on appeal and may require a future implementation plan. Any final unfavorable court decisions will be funded from the appropriate trust fund or from the general funds for the SSI program. In the opinion of management and legal counsel, the resolution of the class actions and other claims and lawsuits will not materially affect the financial position or operations of SSA.

9. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 9a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds shares of SSA's operating expenses are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statement of Net Cost. Trust Fund Operations include expenses of the Department of 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 9a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)							
2004							
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total	
OASI	\$ 2,209	\$ 29	\$ 299	\$ 0	\$ 0	\$	2,537
DI	2,089	28	51	53	0		2,221
SSI	2,798	0	0	74	0		2,872
Other	1,257	22	0	0	0		1,279
	\$ 8,353	\$ 79	\$ 350	\$ 127	\$ 0	\$	8,909

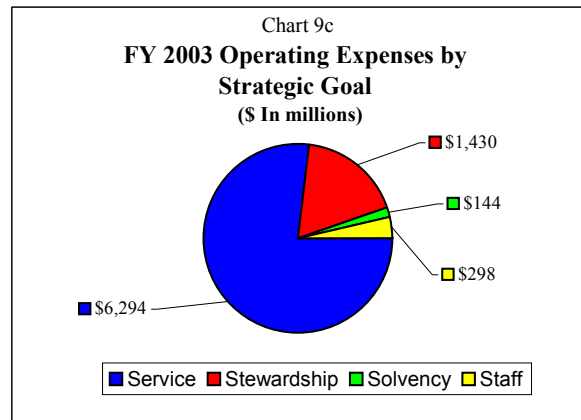
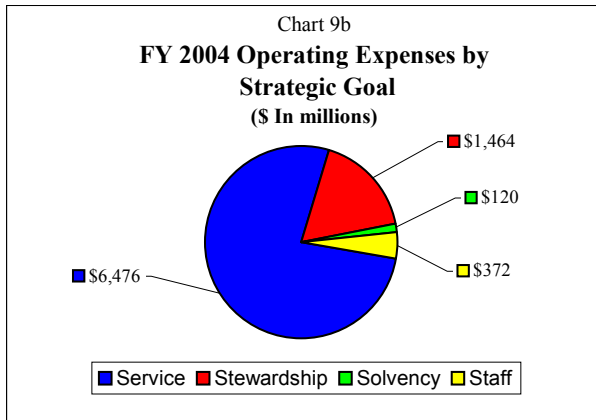
Chart 9a - SSA's Operating Expenses by Major Program as of September 30:							
2003							
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total	
OASI	\$ 2,162	\$ 30	\$ 289	\$ 0	\$ 0	\$	2,481
DI	1,917	26	54	48	0		2,045
SSI	2,747	0	0	42	0		2,789
Other	1,265	19	0	0	8		1,292
	\$ 8,091	\$ 75	\$ 343	\$ 90	\$ 8	\$	8,607

Classification of Operating Expenses by Strategic Goal

In FY 2003, SSA developed a new Agency Strategic Plan (ASP), a FY 2004 Annual Performance Plan (APP) and its budget submission at the same time by completing a full review of strategic goals, objectives, and performance indicators. Changes, additions and deletions were made in order to help improve performance and improve the way progress is measured. The strategic goals have remained broad and cover the full scope of SSA's work. The four new 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.

Chart 9b and 9c exhibit distribution of FY 2004 and 2003 LAE operating expenses to APP Strategic goals.



10. 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 \$339 and \$288 million for the years ended September 30, 2004 and 2003. 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. SSA earned administration fee revenue in the amount of \$273 and \$256 million for the years ended September 30, 2004 and 2003. A portion of the fees, \$156 and \$149 million for the years ended September 30, 2004 and 2003, is transferred to the Department of Treasury General Fund while the remainder is maintained in the SSA trust funds. In addition, SSA earned \$66 and \$32 million for the years ended September 30, 2004 and 2003 in other exchange revenue.

11. Gross Cost and Earned Revenue by Budget Functional Classification

Chart 11a displays gross cost and earned revenue by budget functional classification. Income Security for Veterans includes the costs and revenues to administer the Title VIII, Special Benefits for Certain World War II Veterans program. Other Income Security includes primarily the costs and revenues associated with the SSI program. The Other program reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 11a - Gross Cost and Earned Revenue by Budget Functional Classification as of September 30: (\$ in millions)						
	2004			2003		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
General Retirement and Disability Insurance	\$ (1)	\$ 0	\$ (1)	\$ 421	\$ 0	\$ 421
Income Security for Veterans	14	(6)	8	9	0	9
Other Income Security	35,290	(273)	35,017	33,259	(256)	33,003
Social Security						
OASI	412,773	0	412,773	397,943	0	397,943
DI	75,273	0	75,273	69,902	0	69,902
Other	0	0	0	7	(5)	2
LAE	8,432	(60)	8,372	8,166	(27)	8,139
Subtotal	496,478	(60)	496,418	476,018	(32)	475,986
Total	\$ 531,781	\$ (339)	\$ 531,442	\$ 509,707	\$ (288)	\$ 509,419

Chart 11b displays Intragovernmental gross cost and earned revenue by budget functional classification.

Chart 11b - Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification as of September 30: (\$ in millions)						
	2004			2003		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
Other Income Security	\$ 6	\$ 0	\$ 6	\$ 7	\$ 0	\$ 7
Social Security						
OASI	291	0	291	286	0	286
DI	53	0	53	54	0	54
Other	0	0	0	0	0	0
LAE	2,073	(56)	2,017	2,097	(14)	2,083
Subtotal	2,417	(56)	2,361	2,437	(14)	2,423
Total	\$ 2,423	\$ (56)	\$ 2,367	\$ 2,444	\$ (14)	\$ 2,430

12. 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 trust funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the trust funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security 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 or SSA. Revenues to the trust funds are reduced for excess employment taxes, which are refunded by offset against income taxes. Other tax revenues include Taxation of Social Security Benefits and FICA/SECA tax credits. Chart 12 reflects the amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues.

	2004	2003
Estimated Employment Taxes Credited to SSA	\$ 553,647	\$ 541,183
Adjustments	(8,302)	(5,952)
Refunds	0	(1,787)
Employment Tax Revenues	545,345	533,444
Other Tax Revenues	14,316	13,364
Total Tax Revenues	\$ 559,661	\$ 546,808

13. Intra-Governmental Financing Sources

SSA receives other intra-governmental financing sources that increase net results of operations during the reporting period. The most significant financing source received from another Federal entity is the drawdown of funds from the HI/SMI Trust Funds for the Medicare program, in the amounts of \$1,368 and \$1,214 million for the years ended September 30, 2004 and 2003. They reimburse SSA's operating expenses to administer a portion of the Medicare program. These amounts represent the majority of the Trust Fund Draws and Other-In line item as presented on the Statement of Changes in Net Position.

Financing outflows may result from transfers of the reporting entity's assets to other government entities. SSA financing outflows mainly consist of PTF transfers for taxation on benefits of \$15,076 and \$13,276 million for the years ended September 30, 2004 and 2003. It also includes a RRB transfer for the annual interchange 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. The accrued liability of \$3,712 and \$3,767 million as of September 30, 2004 and 2003, on the Balance Sheet represents amounts due the RRB. Also, amounts for railroad workers, who have qualified for and are receiving OASI and DI benefit payments, are included in the benefit payment expenses on the Statement of Net Cost. However, the RRB makes the payments to the qualifying railroad workers on behalf of SSA. SSA compensated RRB in the amount of \$1,165 and \$1,163 million for the years ended September 30, 2004 and 2003.

In addition, a portion of the administrative fees charged to the States to administer the SSI benefits program is returned to the U.S. Treasury and amounted to \$156 and \$149 million for the years ended September 30, 2004 and 2003. The Supplemental SSI benefits paid by SSA on behalf of the States were \$4,168 and \$3,925 million for the years ended September 30, 2004 and 2003. These transfers, which negate each other, are received from the States and issued to SSI recipients.

14. Imputed Financing

The Statement of Net Cost recognizes post-employment benefit expenses of \$782 and \$706 million for the years ended September 30, 2004 and 2003 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 Statement of Changes in Net Position (SCNP) recognizes an imputed financing source of \$452 and \$397 million for the years ended September 30, 2004 and 2003 that represents annual service cost not paid by SSA.

15. Budgetary Resources

Appropriations Received

The SBR discloses Appropriations Received of \$699,908 and \$679,191 million for the years ended September 30, 2004 and 2003. Appropriations Received on the SCNP is \$52,536 and \$48,822 million for the same years. The differences of \$647,372 and \$630,369 million represent appropriated trust fund receipts in OASI and DI. The SCNP 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 SBR, Appropriations Received for PTF are duplicated on the SBR. This is in compliance with OMB's directive to have the SBR in agreement with the required Budget Execution Reports (SF-133's). These amounts are also included on the SCNP for Other in Appropriations Received and for OASI and DI Trust Funds in Tax Revenues.

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. For FY 2004, SSA has not received any category A apportionments. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B and Exempt from Apportionment.

	2004			2003 Reclassified		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	\$ 543,416	\$ 4,231	\$ 547,647	\$ 525,561	3,951	\$ 529,512
Exempt	13,147	0	13,147	8,187	0	8,187
Total	\$ 556,563	\$ 4,231	\$ 560,794	\$ 533,748	\$ 3,951	\$ 537,699

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority in the SBR. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the trust funds. The portion of 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 trust funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays trust fund activities and balances. The entire trust fund balances, ending are included in Investments on the Balance Sheet.

	2004	2003
Trust Fund Balance, Beginning	\$ 1,426,913	\$ 1,273,227
Receipts	647,363	630,322
Less Obligations	496,127	476,636
Excess of Receipts Over Obligations	151,236	153,686
Trust Fund Balance, Ending	\$ 1,578,149	\$ 1,426,913

Explanation of Material Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

There are no material differences between the Statement of Budgetary Resources and the Budget of the United States Government.

16. Statement of Financing Disclosures

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

Liabilities Not Covered by Budgetary Resources of \$7,735 and \$8,781 million as of September 30, 2004 and 2003, represent SSI Receivables Owed to Treasury, non-current portion of FECA liability to DOL and employees, benefits due and payable for SSI adjudicated and unadjudicated cases, and leave earned but not taken (See Note 8, Liabilities). Only a portion of these liabilities will require or generate resources in future periods. The amounts reported on the Statement of Financing, as Total Components of Net Cost of Operations, that will require or Generate Resources in Future Periods of \$179 and \$175 million for the years ended September 30, 2004 and 2003, represent the change in SSA expenses for adjudicated and unadjudicated SSI benefits due and payable, leave earned but not taken and FECA.

17. Incidental Custodial Collections

SSA's custodial collections primarily consist of recoveries for SSI Federal benefit overpayments. The FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI benefit overpayments be deposited in the General Fund of the Treasury. In addition, other negligible custodial collections occur for interest, fines and penalties. While these collections are considered custodial, they are not primary to the mission of SSA or material to the overall financial statements. In accordance with SFFAS Number 7, non-exchange custodial collections should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue; therefore, SSA's custodial collections are not recognized as revenue or presented in the financial statements. SSA's total custodial collections are \$2,341 and \$1,985 million for the years ended September 30, 2004 and 2003. As noted on Footnote 8, SSA records the amount of SSI Federal benefit overpayments identified but not yet collected as a custodial liability payable to the General Fund for the Treasury. The custodial liability recorded by SSA for SSI Federal benefit overpayments is \$4,990 and \$6,261 million as of September 30, 2004 and 2003.

18. Recovery of Medicare Premiums

SSA identified a systemic and recurring error in the process for recovering certain transfers to 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 premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, has not generally had procedures to recover Medicare premiums transferred to CMS. SSA estimates that approximately \$800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002, for periods after the death of a beneficiary. SSA intends to pursue the repayment from the Department of Health and Human Services (HHS). SSA and HHS are currently negotiating the resolution of this matter. Due to the uncertainty of the recovery, SSA has not recorded this in its financial statements as of September 30, 2004.

Other Accompanying Information: Balance Sheet by Major Program
as of September 30, 2004

Assets	Dollars in Millions						
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ 46	\$ (14)	\$ 2,940	\$ 74	\$ 102	\$ 0	\$ 3,148
Investments	1,452,599	182,799	0	0	0	0	1,635,398
Interest Receivable, Net	19,822	2,493	0	0	0	0	22,315
Accounts Receivable, Net	0	0	0	0	2,183	(1,559)	624
Total Intragovernmental	1,472,467	185,278	2,940	74	2,285	(1,559)	1,661,485
Accounts Receivable, Net	1,850	2,105	5,290	0	228	(3,291)	6,182
Property, Plant and Equip., Net	0	0	0	0	1,231	0	1,231
Other	0	0	0	0	9	0	9
Total Assets	\$ 1,474,317	\$ 187,383	\$ 8,230	\$ 74	\$ 3,753	\$ (4,850)	\$ 1,668,907
Liabilities							
Intragovernmental:							
Accrued RRI	\$ 3,466	\$ 246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,712
Accounts Payable	517	486	5,549	0	0	(1,559)	4,993
Other	0	0	156	3	88	0	247
Total Intragovernmental	3,983	732	5,705	3	88	(1,559)	8,952
Benefits Due and Payable	37,055	16,048	1,757	0	0	(3,291)	51,569
Accounts Payable	1	5	301	0	182	0	489
Other	0	0	378	12	815	0	1,205
Total	41,039	16,785	8,141	15	1,085	(4,850)	62,215
Net Position							
Unexpended Appropriations	0	0	1,414	59	16	0	1,489
Cumulative Results of Operations	1,433,278	170,598	(1,325)	0	2,652	0	1,605,203
Total Net Position	1,433,278	170,598	89	59	2,668	0	1,606,692
Total Liabilities and Net Position	\$ 1,474,317	\$ 187,383	\$ 8,230	\$ 74	\$ 3,753	\$ (4,850)	\$ 1,668,907

Other Accompanying Information: Schedule of Net Cost for the Year Ended September 30, 2004

	Program	LAE	Total
OASI Program			
Benefit Payments	\$ 412,474	\$ 0	\$ 412,474
Operating Expenses (Note 9)	299	2,238	2,537
Total Cost of OASI Program	412,773	2,238	415,011
Less: Exchange Revenues (Notes 10 and 11)	0	16	16
Net Cost of OASI Program	412,773	2,222	414,995
DI Program			
Benefit Payments	75,169	0	75,169
Operating Expenses (Note 9)	104	2,117	2,221
Total Cost of DI Program	75,273	2,117	77,390
Less: Exchange Revenues (Notes 10 and 11)	0	15	15
Net Cost of DI Program	75,273	2,102	77,375
SSI Program			
Benefit Payments	35,216	0	35,216
Operating Expenses (Note 9)	74	2,798	2,872
Total Cost of SSI Program	35,290	2,798	38,088
Less: Exchange Revenues (Notes 10 and 11)	273	20	293
Net Cost of SSI Program	35,017	2,778	37,795
Other			
Benefit Payments	13	0	13
Operating Expenses (Note 9)	0	1,279	1,279
Total Cost of Other	13	1,279	1,292
Less: Exchange Revenues (Notes 10 and 11)	6	9	15
Net Cost of Other	7	1,270	1,277
Total Net Cost			
Benefit Payments	522,872	0	522,872
Operating Expenses (Note 9)	477	8,432	8,909
Total Cost	523,349	8,432	531,781
Less: Exchange Revenues (Notes 10 and 11)	279	60	339
Total Net Cost	\$ 523,070	\$ 8,372	\$ 531,442

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2004

(Dollars in Millions)									
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated		
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations
	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net Position, Beginning Balance	\$ 1,294,528	\$ 158,005	\$ (1,142)	\$ 60	\$ 1,689	\$ 0	\$ 1,453,080	\$ 705	
Budgetary Financing Sources (other than Exchange Revenues)									
Appropriations Received	0	0	37,429	15,082	25	0	52,536		
Appropriations Used	479,450	80,211	36,648	(15,083)	(21)	0	51,752	(51,752)	
Tax Revenues	77,717	9,899	0	0	0	0	559,661		
Interest Revenues							87,616		
Transfers-In/Out									
Trust Fund Draws and Other - In	107	21	0	0	0	0	1,740		
Trust Fund Draws and Other - Out	(2,214)	(2,099)	(1,814)	(15,076)	0	7,245	(13,958)		
Railroad Retirement Interchange	(3,549)	(239)	0	0	0	0	(3,788)		
Total Transfers-In/Out	(5,656)	(2,317)	(1,814)	(15,076)	8,857	0	(16,006)		
Other Budgetary Financing Sources	12	73	0	0	0	0	85		
Other Financing Sources									
Transfers-In/Out	0	0	0	0	5	0	5		
Imputed Financing Sources	0	0	0	0	452	0	452		
Total Financing Sources	551,523	87,866	34,834	781	(1)	9,335	683,565	784	
Net Cost of Operations	412,773	75,273	35,017	7	8,372	0	531,442		
Ending Balances	\$ 1,433,278	\$ 170,598	\$ (1,325)	\$ 1,414	\$ 0	\$ 2,652	\$ 1,605,203	\$ 1,489	

Other Accompanying Information: Schedule of Financing for the Year Ended September 30, 2004

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	\$ 418,394	\$ 77,733	\$ 40,952	\$ 15,090	\$ 8,625	\$ 560,794
Less: Offsetting Collections	0	0	(4,273)	(10)	(9,040)	(13,323)
Obligations Net of Offsetting Collections	418,394	77,733	36,679	15,080	(415)	547,471
Less: Offsetting Receipts	(13,300)	(1,085)	(273)	(2,341)	0	(16,999)
Net Obligations	405,094	76,648	36,406	12,739	(415)	530,472
Other Resources						
Imputed Financing	0	0	0	0	452	452
Other	0	0	(273)	0	(32)	(305)
Net Other Resources Used to Finance Activities	0	0	(273)	0	420	147
Total Resources Used to Finance Activities	405,094	76,648	36,133	12,739	5	530,619
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	(1)	(18)	0	(182)	(201)
Resources That Fund Expenses Recognized In Prior Periods	143	(121)	1,270	3	(18)	1,277
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations	13,300	1,085	273	2,341	0	16,999
Resources That Fund Capitalized Costs	0	0	0	0	(498)	(498)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(5,764)	(2,338)	(2,799)	(15,076)	8,859	(17,118)
Total Resources Not Part of the Net Cost of Operations	7,679	(1,375)	(1,274)	(12,732)	8,161	459
Total Resources Used to Finance the Net Cost of Operations	412,773	75,273	34,859	7	8,166	531,078
Components of the Net Cost of Operations That Will Not Require of Generate Resources in the Current Period						
Components Requiring or Generating Resources in Future Periods						
Increase in Annual Leave	0	0	0	0	15	15
Other	0	0	161	0	3	164
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	0	0	161	0	18	179
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	181	181
Other	0	0	(3)	0	7	4
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	0	0	(3)	0	188	185
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	0	0	158	0	206	364
Net Cost of Operations	\$ 412,773	\$ 75,273	\$ 35,017	\$ 7	\$ 8,372	\$ 531,442

Required Supplementary Information: Schedule of Budgetary Resources
as of September 30, 2004

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Budget Authority						
Appropriations Received	\$ 556,561	\$ 90,802	\$ 37,429	\$ 15,091	\$ 25	\$ 699,908
Net transfers (+/-)	0	0	0	(4)	0	(4)
Unobligated Balances						
Beginning of Period	0	0	532	55	343	930
Net transfers (+/-)	0	0	0	(2)	0	(2)
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,255	5	59	4,319
Change in Receivable	0	0	(78)	0	1	(77)
Change in Unfilled Customer Orders						
Advance Received	0	0	0	0	1	1
Without Advance	0	0	0	0	(1)	(1)
Transfers from Trust Funds						
Collected	0	0	0	0	8,410	8,410
Anticipated	0	0	0	0	449	449
Subtotal	0	0	4,177	5	8,919	13,101
Recoveries of Prior Year Obligations	0	0	96	5	121	222
Temporarily Not Available Pursuant to Public Law	(138,167)	(13,069)	0	0	0	(151,236)
Permanently Not Available	0	0	0	(7)	0	(7)
Total Budgetary Resources	\$ 418,394	\$ 77,733	\$ 42,234	\$ 15,143	\$ 9,408	\$ 562,912
Status of Budgetary Resources:						
Obligations Incurred:						
Direct	\$ 418,394	\$ 77,733	\$ 36,784	\$ 15,090	\$ 8,562	\$ 556,563
Reimbursable	0	0	4,168	0	63	4,231
Subtotal	418,394	77,733	40,952	15,090	8,625	560,794
Unobligated Balances						
Apportioned	0	0	1,188	21	300	1,509
Unobligated Balances - Not Available	0	0	94	32	483	609
Total Status of Budgetary Resources	\$ 418,394	\$ 77,733	\$ 42,234	\$ 15,143	\$ 9,408	\$ 562,912
Relationship of Obligations to Outlays:						
Obligated Balances - Beginning of the Period	\$ 39,949	\$ 17,606	\$ 954	\$ 35	\$ (476)	\$ 58,068
Obligated Balance - End of the Period						
Accounts Receivable	0	0	(8)	0	(2,183)	(2,191)
Undelivered Orders	0	5	60	0	1,285	1,350
Accounts Payable	41,038	16,784	1,065	1	217	59,105
Outlays:						
Disbursements	417,306	78,550	40,772	15,124	8,261	560,013
Collections	0	0	(4,255)	(5)	(8,470)	(12,730)
Subtotal	417,306	78,550	36,517	15,119	(209)	547,283
Less: Offsetting Receipts	13,300	1,085	273	2,341	0	16,999
Net Outlays	\$ 404,006	\$ 77,465	\$ 36,244	\$ 12,778	\$ (209)	\$ 530,284

Required Supplementary Information: Intragovernmental Amounts
as of September 30, 2004

	(Dollars in Millions)			
	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Intragovernmental Assets				
Department of Health and Human Services				\$ 623
Department of the Treasury	\$ 3,148	\$ 1,635,398	\$ 22,315	
Other				1
Total Intragovernmental Assets	\$ 3,148	\$ 1,635,398	\$ 22,315	\$ 624
Intragovernmental Liabilities				
	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities	
Department of the Treasury, General Fund		\$ 4,993		
Railroad Retirement Board	\$ 3,712			
Other			\$ 247	
Total Intragovernmental Liabilities	\$ 3,712	\$ 4,993	\$ 247	
Intragovernmental Revenues:				
	Non-Exchange Revenue			
	Transfers-In	Transfers-Out		
Department of the Treasury, General Fund		\$ 13,958		
Railroad Retirement Board		3,788		
Department of Health and Human Services	\$ 1,740			
Total Intragovernmental Revenues:	\$ 1,740	\$ 17,746		

Required Supplementary Stewardship Information: Social Insurance

Statement of Social Insurance					
Old-Age, Survivors and Disability Insurance					
75-Year Projection as of January 1, 2004					
(In billions)					
		Estimates from Prior Years			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<i>Actuarial present value¹ for the 75-year projection period of estimated future income (excluding interest)² received from or on behalf of:</i>					
Current participants ³ who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	\$14,388	\$13,576	\$13,048	\$12,349	\$11,335
Have attained retirement eligibility age (Age 62 and over)	411	359	348	309	266
Those expected to become participants (Under age 15) ⁴	12,900	12,213	11,893	11,035	10,088
All current and future participants	27,699	26,147	25,289	23,693	21,688
<i>Actuarial present value¹ for the 75-year projection period of estimated future cost⁵ for or on behalf of:</i>					
Current participants ³ who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	22,418	21,015	20,210	18,944	17,217
Have attained retirement eligibility age (Age 62 and over)	4,933	4,662	4,402	4,255	4,020
Those expected to become participants (Under age 15) ⁴	5,578	5,398	5,240	4,700	4,297
All current and future participants	32,928	31,075	29,851	27,899	25,534
<i>Actuarial present value¹ for the 75-year projection period of estimated future excess of income (excluding interest) over cost</i>	-\$5,229	-\$4,927	-\$4,562	-\$4,207	-\$3,845
<i>Trust fund assets⁶ at start of period</i>	1,531	1,378	1,213	1,049	896
<i>Actuarial present value¹ for the 75-year projection period of estimated future excess⁷ of income (excluding interest) and trust fund assets at start of period over cost</i>	-\$3,699	-\$3,550	-\$3,350	-\$3,157	-\$2,949

Footnotes to the Statement of Social Insurance

¹Present values are computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown and over the 75-year projection period beginning January 1 of that year. Totals do not necessarily equal the sum of the rounded components.

²Income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury.

³Current participants are the “closed group” of individuals age 15 and over at the start of the period. To calculate the actuarial present value of the excess of future income (excluding interest) from or on behalf of these individuals over future cost for them or on their behalf, subtract the actuarial present value of future cost for them or on their behalf from the actuarial present value of future income (excluding interest) from them or on their behalf. The projection period for the closed group would theoretically include all future working and retirement years, a period which may exceed 75 years in some instances. While the estimates are limited to the 75-year projection period, the net present value of future income and cost for the closed group participants beyond 75 years is not material.

⁴Includes births during the period.

⁵Cost includes scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

⁶Trust fund assets represent the accumulated excess of all past income, including interest on trust fund assets, over all past expenditures for the social insurance program. The assets are invested only in securities backed by the full faith and credit of the Federal Government.

⁷The negative value represents the magnitude of the unfunded obligation of the program over the 75-year projection period. The calculation of the actuarial balance used for analysis by the Social Security trustees differs from the calculation of the amount presented on this line. The trustees’ actuarial balance is expressed as a percentage of the taxable payroll and includes the cost of attaining a target fund balance equal to the estimated next year’s cost at the end of the period.

Assumptions Used for the Statement of Social Insurance

The estimates used in this presentation for the current year (2004) are based on the assumption that the programs will continue as presently constructed. They are also based on various economic and demographic assumptions, including those in the following table:

	Total Fertility Rate ¹	Age-Sex-Adjusted Death Rate ² (per 100,000)	Period Life Expectancy At Birth ³		Net Annual Immigration (persons per year) ⁴	Real-Wage Differential ⁵ (percentage points)	Average Annual Percentage Change In:				Average Annual Interest Rate ⁹
			Male	Female			Average Annual Wage in Covered Employment	CPI ⁶	Total Employment ⁷	Real GDP ⁸	
2004	2.02	862.6	74.5	79.6	1,175,000	2.4	3.6	1.2	1.7	4.4	4.4%
2005	2.01	858.4	74.7	79.6	1,150,000	2.8	4.3	1.5	1.7	3.6	4.8%
2010	2.00	831.0	75.3	80.0	1,025,000	1.3	4.1	2.8	0.8	2.6	5.9%
2020	1.97	766.8	76.3	80.8	950,000	1.1	3.9	2.8	0.3	1.9	5.8%
2030	1.95	706.9	77.4	81.7	900,000	1.0	3.8	2.8	0.2	1.8	5.8%
2040	1.95	654.1	78.3	82.5	900,000	1.0	3.8	2.8	0.3	1.9	5.8%
2050	1.95	607.6	79.2	83.3	900,000	1.0	3.8	2.8	0.2	1.8	5.8%
2060	1.95	566.5	80.0	84.0	900,000	1.1	3.9	2.8	0.2	1.8	5.8%
2070	1.95	529.9	80.8	84.6	900,000	1.1	3.9	2.8	0.2	1.8	5.8%

1. The total fertility rate for any 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 observed in, or 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 2028.
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 observed in, or 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 a given 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 observed in, or 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, before rounding, in the average annual wage in covered employment, and the average annual Consumer Price Index.
6. The Consumer Price Index (CPI) is the annual average value for the calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
7. Total employment represents total of civilian and military employment in the U.S. economy.
8. The real Gross Domestic Product (GDP) is the value of total output of goods and services, expressed in 1996 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
9. The average annual interest rate is the average of the nominal interest rates, which, in practice, are compounded semiannually, for special public-debt obligations issuable to the trust funds in each of the 12 months of the year.

These assumptions and the other values on which these displays are based reflect the intermediate assumptions of the 2004 Trustees Report. 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.

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 2003, OASDI benefits were paid to approximately 47 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 \$52 billion as of September 30, 2004 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 (\$48 billion as of September 30, 2003). Virtually all of this amount was paid in October 2004. Also, an asset of \$1,635 billion is recognized for the “investments in Treasury securities” as of September 30, 2004 (\$1,484 billion as of September 30, 2003). These investments are referred to as “trust fund assets” or “balance” throughout the remainder of this disclosure. 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.

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, 2004. 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 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.

Supplementary Stewardship 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 OASDI benefits; interest income from Treasury securities held as assets of the 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 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.

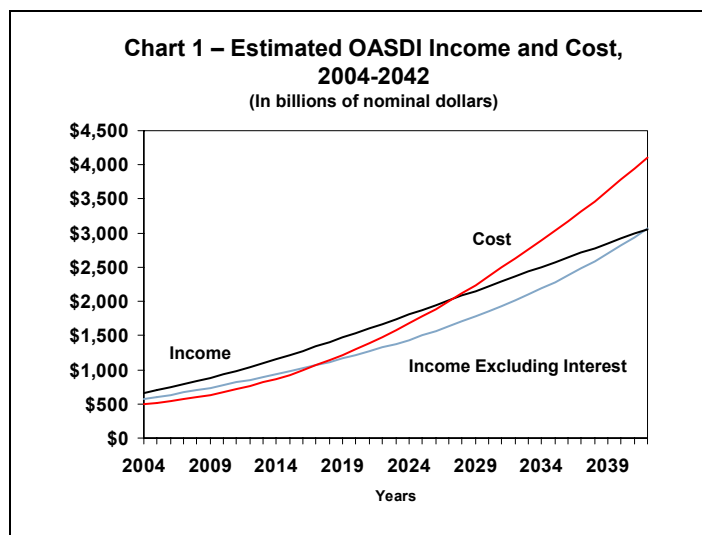
All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2004 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2004 Trustees Report) (see Table 1). The statement presented on page 174 and the supplementary stewardship 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.

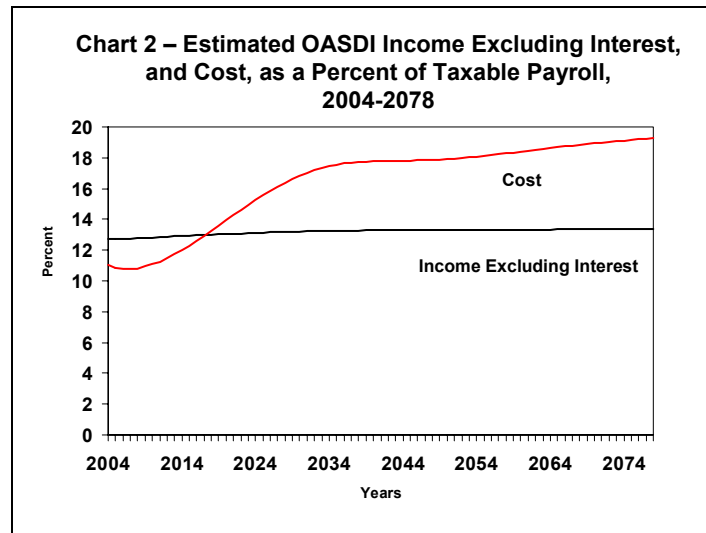
Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2004-2042 in nominal dollars. These estimates are only displayed through 2042, the year that the OASDI trust funds are projected to become exhausted. At the point of Trust Fund exhaustion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow significantly to continue paying benefits, benefit payments would be limited to the available tax income. Thus, extension of this table, which is intended to illustrate the source of revenue needed to meet the cost of the program, beyond the point of 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 2028. 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 low 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 even earlier, in 2018. At that time, to meet all OASDI cost on a timely basis, the trust funds would begin to redeem assets (Treasury securities). 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.



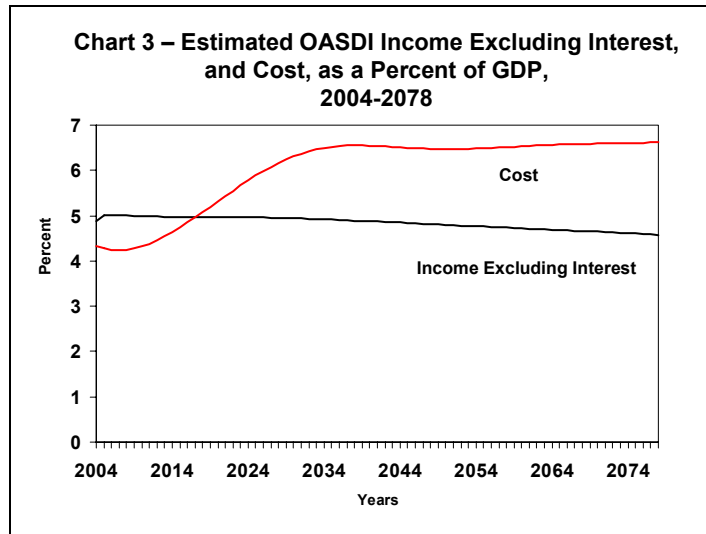
Percentage of Taxable Payroll - Chart 2 shows estimated annual income excluding interest and cost expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and 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 2018, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2018, 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 only 68 percent of the estimated cost.



Actuarial Balance - The statement of social insurance on page 174 shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$5,229 billion. If augmented by the trust fund assets at the start of the period (January 1, 2004), it is -\$3,699 billion. This excess does not equate to the actuarial balance in the Trustees Report of -1.89 percent of taxable payroll because the actuarial balance includes the cost of attaining a target Trust Fund balance by the end of the period.

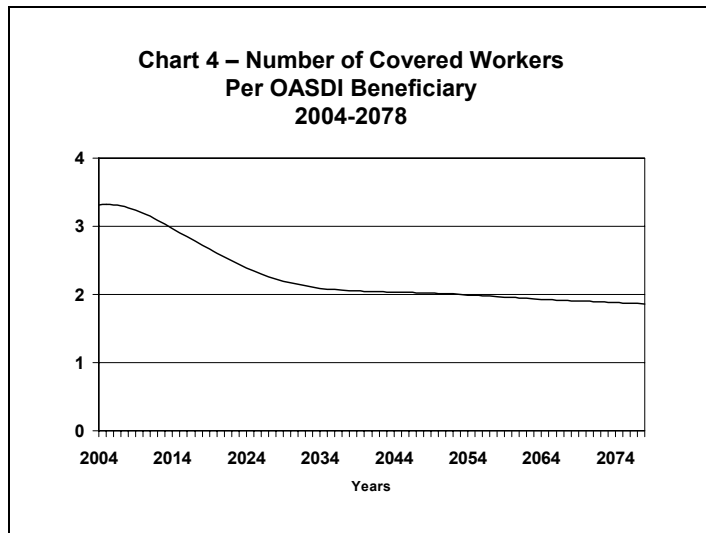
One interpretation of this negative actuarial balance (-1.89 percent of taxable payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.89 percentage points in this rate in each year of the 75-year projection period--about 0.95 percentage points for employees and employers each, resulting in a total rate of 14.29 percent or a rate of 7.15 percent for each--is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all current and future benefits could be reduced by about 12.6 percent (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 GDP, which represents the total value of goods and services produced in the United States, provides a measure of the size of the OASDI program in relation to the capacity of the national economy to sustain it.



In 2003, OASDI cost was about \$479 billion, which was about 4.4 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.3 percent of GDP in 2030 and then gradually increases to 6.6 percent of GDP in 2078. 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 below 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 2003 to 1.9 in 2078.



Sensitivity Analysis - Projections of the future financial status of the OASDI program depend on many economic and demographic assumptions, including GDP, labor force, unemployment, average wages and self-employment earnings, interest rates on Treasury securities, productivity, inflation, fertility, mortality, net immigration, marriage, divorce, retirement patterns and disability incidence and termination. 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, death rate, 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 2004 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2004 and are based on estimates of income and cost during the 75-year projection period 2004-2078. 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.

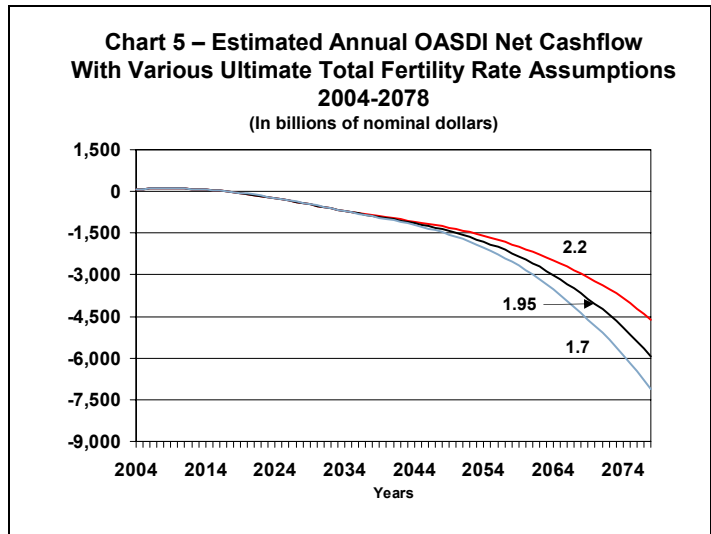
Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Reports present high-cost and low-cost alternative assumption sets which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more 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 2 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, 1.95 and 2.2 children per woman, where 1.95 is the intermediate assumption in the 2004 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2028.

Table 2 demonstrates that, if the ultimate total fertility rate is changed from 1.95 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 \$5,757 billion, from \$5,229 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to \$4,707 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2004-2078			
Ultimate Total Fertility Rate	1.7	1.95	2.2
Present Value of Estimated Excess (In billions)	-\$5,757	-\$5,229	-\$4,707

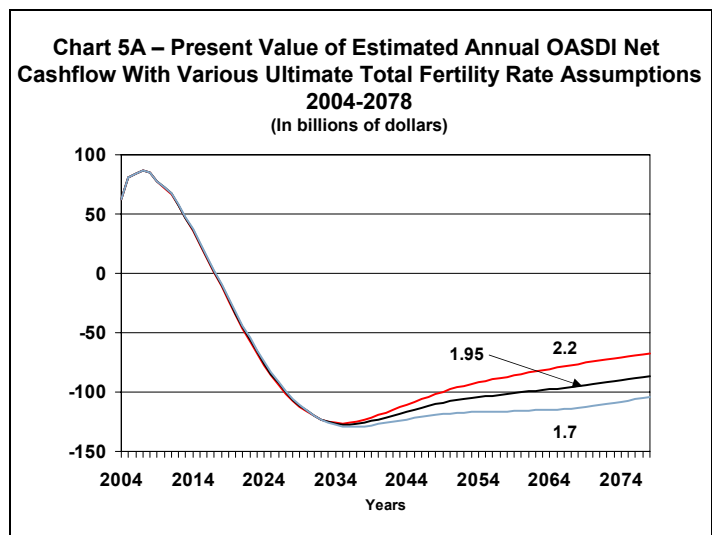
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 2. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first four years, the net cashflow estimates decrease steadily through 2078. They remain positive through 2017 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 38 years before the OASDI trust funds are depleted.

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 2033 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from that year 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.



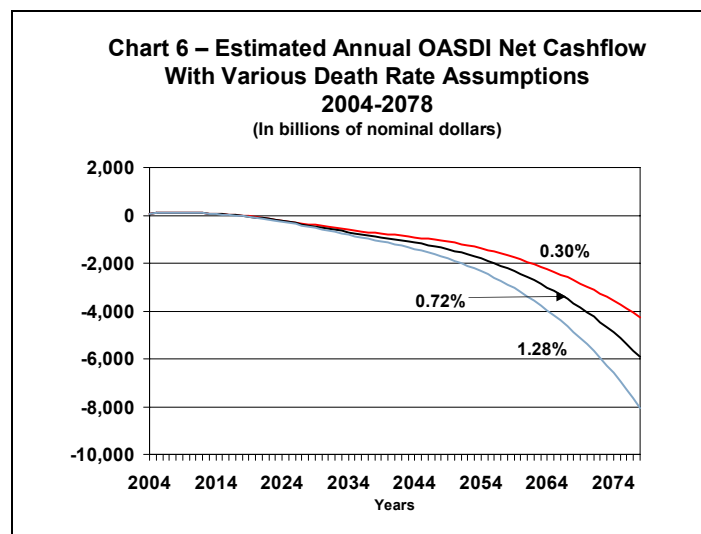
The three patterns of the present values shown in Chart 5A are similar. After increasing for three years, the present values decrease steadily through the mid 2030's. They remain positive through 2017 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2036 for 2.2 and 2037 for 1.7 and 1.95). 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.

Death Rates - Table 3 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 2003-2078 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, 0.72 and 1.28 percent per year, where 0.72 percent is the intermediate assumption in the 2004 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 20, 42 and 62 percent, respectively.) Under these assumptions, the life expectancy at birth, on a unisex period life table basis, is projected to rise from 76.9 in 2003 to 80.0, 83.2, and 87.5, respectively, in 2078.

Table 3 demonstrates that, if the annual reduction in death rates is changed from 0.72 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 \$3,983 billion, from \$5,229 billion; if the annual reduction were changed to 1.28 percent, meaning that people live longer, the shortfall would increase to \$6,738 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2004-2078			
Average Annual Reduction in Death Rates (from 2003 to 2078)	0.30 Percent	0.72 Percent	1.28 Percent
Present Value of Estimated Excess (In billions)	-\$3,983	-\$5,229	-\$6,738

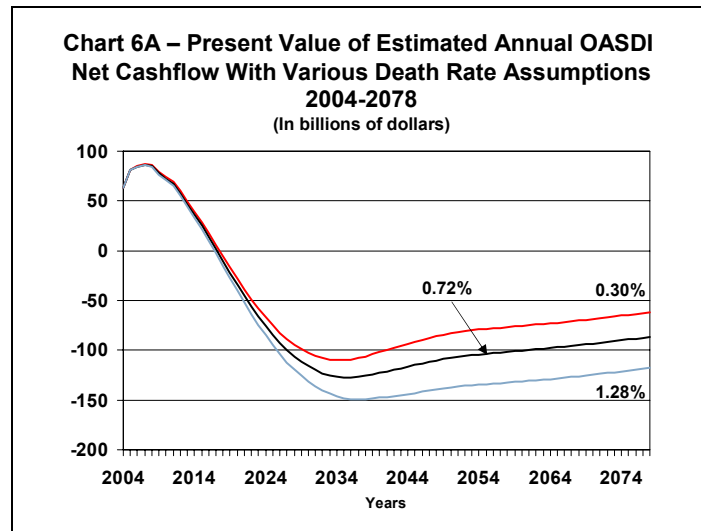
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 3. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing slightly in the first several years, the net cashflow estimates decrease steadily through 2078. They remain positive through 2016 for an assumed average annual reduction of 1.28 percent and through 2017 for the other 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). Although reductions at ages 50 to 62 add significantly to the number of covered workers, the increased payroll tax income is not large enough to offset the additional retirement and disability benefits resulting from the increased number of people surviving to age 50 and over. At ages under 50, 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.



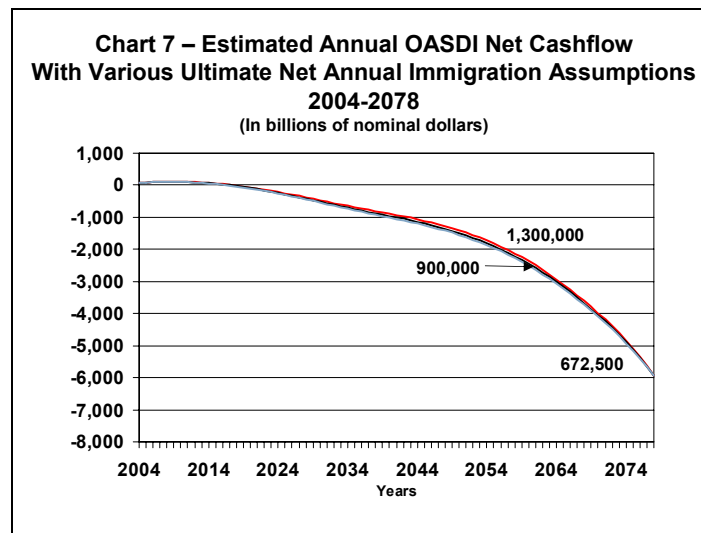
The three patterns of the present values shown in Chart 6A are similar. After increasing for three years, the present values decrease steadily through the mid 2030's. They remain positive through 2016 for an assumed average annual reduction of 1.28 percent and through 2017 for the other assumptions, 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, 2037 and 2038 for assumptions of reductions of 0.30, 0.72 and 1.28 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 4 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 2004 Trustees Report.

Table 4 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 \$5,526 billion, from \$5,229 billion. If the net annual immigration were changed to 1,300,000 persons, the present value of the shortfall would decrease to \$4,813 billion.

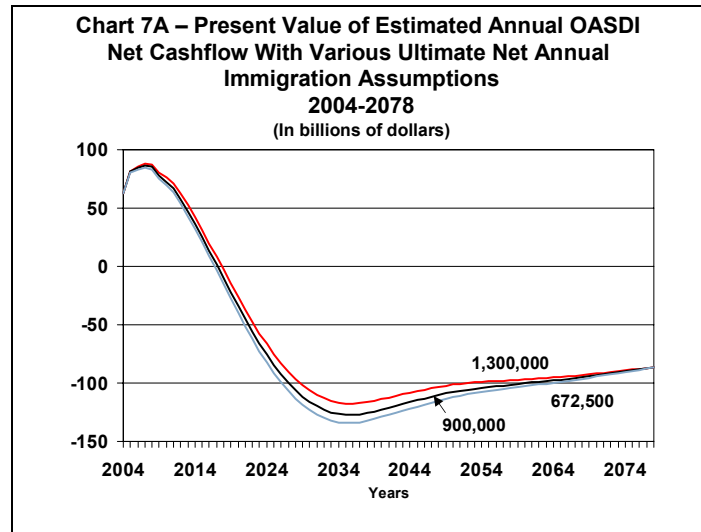
Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2004-2078			
Ultimate Net Annual Immigration	672,500 Persons	900,000 Persons	1,300,000 Persons
Present Value of Estimated Excess (In billions)	-\$5,526	-\$5,229	-\$4,813

Charts 7 and 7A show estimates using the same assumptions about net annual immigration used for the estimates in Table 4. 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 slightly in the first four years, the net cashflow estimates decrease steadily through 2078. They remain positive through 2016 for an annual immigration of 672,500 and through 2017 for the other assumptions. 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 three years, the present values decrease steadily through the mid 2030's. They remain positive through 2016 for an assumed ultimate net annual immigration of 672,500 persons and through 2017 for the other assumptions, 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 the 2030's (2036 for the ultimate assumption of 672,500 net annual immigration and 2037 for the other assumptions).

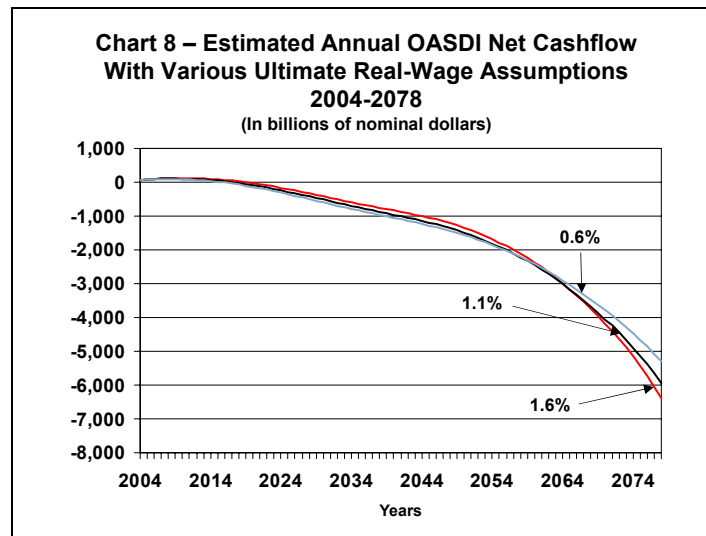
Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three assumptions about net annual immigration. However, as these three levels of net annual immigration accumulate, variations in present values become more apparent. Because 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 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 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 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 2004 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 5 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 \$5,795 billion from \$5,229 billion; if the ultimate real-wage differential were changed from 1.1 to 1.6 percentage points, the shortfall would decrease to \$4,429 billion.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2004-2078			
Ultimate Annual Increase in Wages, CPI; Real Wage Differential	3.4% , 2.8%; 0.6%	3.9% , 2.8%; 1.1%	4.4% , 2.8%; 1.6%
Present Value of Estimated Excess (In billions)	-\$5,795	-\$5,229	-\$4,429

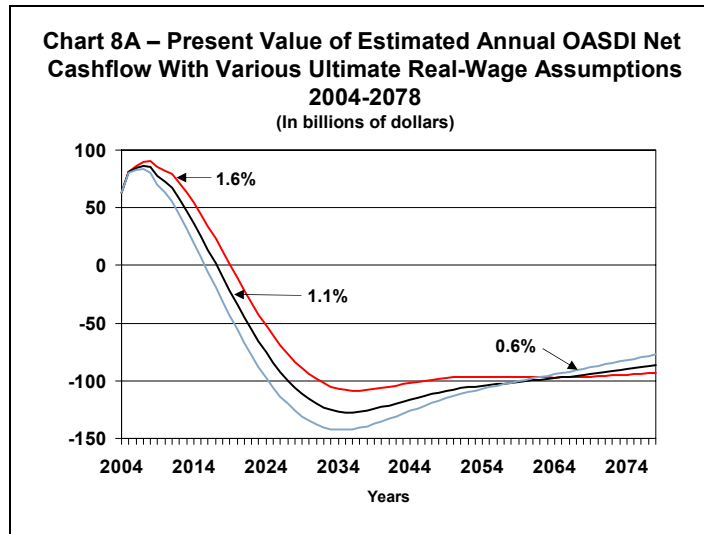
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 5. Chart 8 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 increase in the early years, and then decrease steadily thereafter. Estimated net cashflow remains positive through 2015, 2017 and 2019 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 2060, 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.



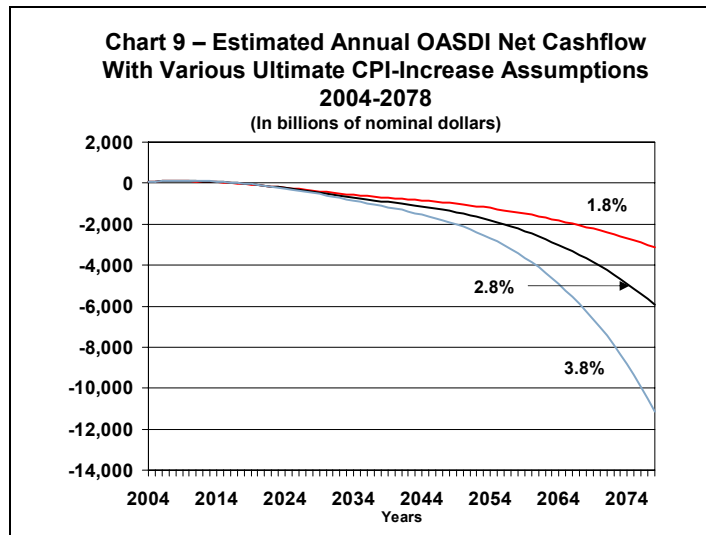
The three patterns of the present values shown in Chart 8A increase for several years, and then, decrease steadily through the mid 2030's. They remain positive through 2015, 2017 and 2019 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2036, 2037 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 2054 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 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 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 2004 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 6 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 \$5,612 billion, from \$5,229 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to \$4,839 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--is explained below.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate CPI-Increase Assumptions Valuation Period: 2004-2078			
Ultimate Annual Increase in Wages, CPI; Real Wage Differential	2.9% , 1.8% ; 1.1%	3.9% , 2.8% ; 1.1%	4.9% , 3.8% ; 1.1%
Present Value of Estimated Excess (In billions)	-\$5,612	-\$5,229	-\$4,839

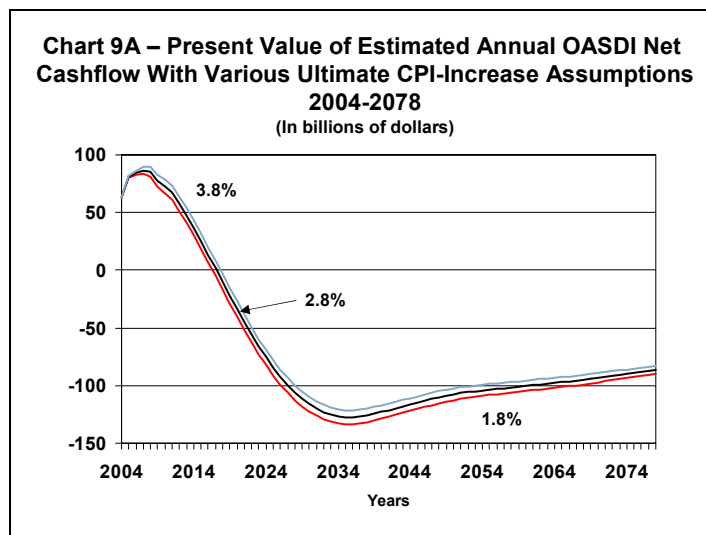
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 6. Chart 9 shows the estimated annual OASDI net cashflow.



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 2078. Annual net cashflow remains positive through 2016 for an assumed ultimate annual increase in the CPI of 1.8 percent and 2017 for the other two assumptions, and is negative thereafter. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher initial benefits. 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.

Larger increases in the CPI cause income to increase sooner, and thus by more in each year, than cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. However, shortly after 2020, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because the effect of benefits becomes more fully realized.

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 three years, present values decrease steadily through the mid 2030's before beginning to increase once again. They remain positive through 2017 (2016 for an assumed ultimate annual increase in the CPI of 1.8 percent) and are negative thereafter. Present values begin to increase (become less negative) after 2035 (2036, 2037 and 2037 for assumed ultimate CPI-increases of 1.8, 2.8 and 3.8 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.

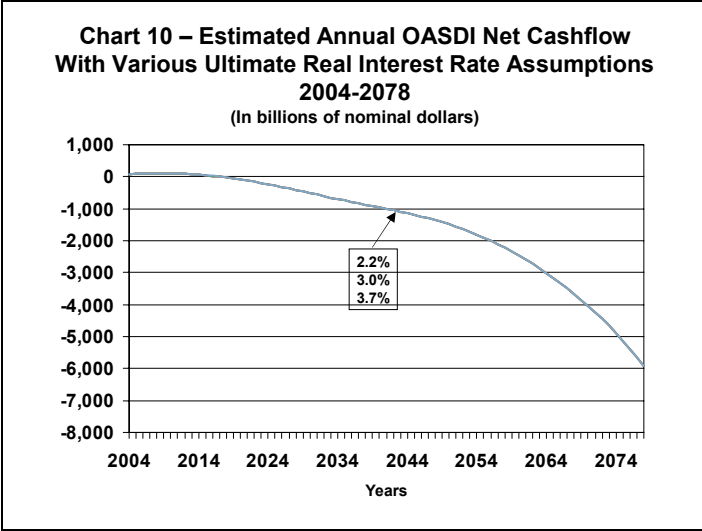
The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all 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 7 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 only to the trust funds. These assumptions are that the ultimate annual real interest rate will be 2.2, 3.0 and 3.7 percent, where 3.0 percent is the intermediate assumption in the 2004 Trustees Report. Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change.

Table 7 demonstrates that, if the ultimate real interest rate is changed from 3.0 percent, the Trustees' intermediate assumption, to 2.2 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to \$7,509 billion, from \$5,229 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to \$3,825 billion.

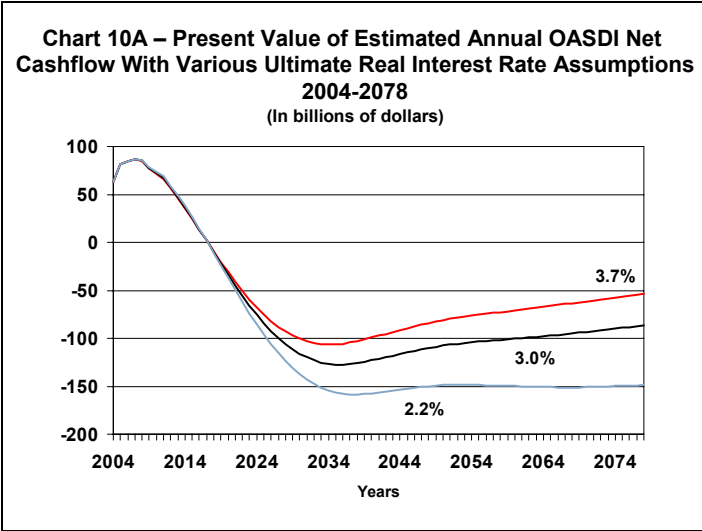
Table 7: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Interest Assumptions Valuation Period: 2004-2078			
Ultimate Annual Real Interest Rate	2.2 Percent	3.0 Percent	3.7 Percent
Present Value of Estimated Excess (In billions)	-\$7,509	-\$5,229	-\$3,825

Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 7. 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 2008, the net cashflow estimates decrease steadily through 2078. They remain positive through 2017 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 three years, the present values decrease steadily through the mid 2030's. They remain positive through 2017 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2038, 2037 and 2035 for assumed ultimate real interest rates of 2.2, 3.0 and 3.7 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 2.2 percent, the present values continue increasing temporarily, through 2052, then decrease until 2068, and increase thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

Chart 10A shows 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 2018. 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 10, 2004

To: The Honorable Jo Anne B. Barnhart
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) 2004 and 2003 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 with Laws and Regulations*.

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 examination 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 01-02, *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 (SSI) 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 2004 financial statements. PwC also audited the FY 2003 financial statements, presented in SSA's Performance and Accountability Report for FY 2004 for comparative purposes. PwC issued an unqualified opinion on SSA's FY 2004 and 2003 financial statements. PwC also reported that SSA's assertion that its systems of accounting and internal control are in compliance with the

internal control objective in OMB Bulletin 01-02 is fairly stated in all material respects. However, the audit identified one reportable condition in SSA's internal control:

SSA Needs to Further Strengthen Controls to Protect Its Information

This same condition was found in prior year audits. It is PwC's opinion that SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures to SSA operations.

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 2004 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 01-02;
- 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 8, 2004, 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.
Acting Inspector General

REPORT OF INDEPENDENT AUDITORS

To the Honorable Jo Anne B. Barnhart
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, 2004 and 2003, and the related consolidated statements of net cost, of changes in net position, and of financing and the combined statements of budgetary resources for the years then ended 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 systems of accounting and internal control in place as of September 30, 2004, are in compliance with the internal control objectives in the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, requiring that (1) transactions be properly recorded, processed and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use or disposition; (2) transactions are executed in accordance with laws governing the use of budget authority, other laws and regulations that could have a direct and material effect on the consolidated or combined financial statements or Required Supplemental Stewardship Information (RSSI) and any other laws, regulations and government wide policies identified in Appendix C of OMB Bulletin No. 01-02;
- 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, 2004 and 2003, and the related consolidated statements of net cost, of changes in net position, and of financing and the combined statements of budgetary resources for the years then ended. 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 OMB Bulletin No. 01-02. 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 consolidated and combined financial statements referred to above and appearing on pages 146 through 167 of this performance and accountability report, present fairly, in all material respects, the financial

position of SSA at September 30, 2004 and 2003, and its net cost of operations, changes in net position, budgetary resources and financing for the years then ended in conformity with accounting principles generally accepted in the United States of America.

REPORT ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have examined management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, requiring that (1) transactions be properly recorded, processed and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use or disposition; and (2) transactions are executed in accordance with laws governing the use of budget authority, other laws and regulations that could have a direct and material effect on the consolidated or combined financial statements or RSSI and any other laws, regulations and government wide policies identified in Appendix C of OMB Bulletin No. 01-02 as of September 30, 2004. 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 controls. 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. 01-02 and, accordingly, included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of 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 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 systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, requiring that (1) transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use or disposition; and (2) transactions are executed in accordance with laws governing the use of budget authority, other laws and regulations that could have a direct and material effect on the consolidated or combined financial statements or RSSI and any other laws, regulations and government wide policies identified in Appendix C of OMB Bulletin No. 01-02, is fairly stated, in all material respects, as of September 30, 2004.

However, we noted certain matters involving the internal control and its operation, set forth below, that we consider to be a reportable condition under standards established by the AICPA and by OMB Bulletin No. 01-02. Reportable conditions are matters coming to our attention, that in our judgment, should be communicated because they represent significant deficiencies in the design or operation of the internal control that could adversely affect SSA's ability to meet the internal control objectives in OMB Bulletin No. 01-02 previously noted. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud or noncompliance in amounts that would be material in relation to the consolidated or combined financial statements or RSSI being audited, or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that the reportable condition that follows is not a material weakness as defined by the AICPA and OMB Bulletin No. 01-02.

SSA Needs to Further Strengthen Controls to Protect Its Information:

During FY 2004, SSA management corrected many of the issues previously noted regarding physical security at the Disability Determination Service (DDS) sites and enhanced continuity of operations activities, including testing of newly developed continuity procedures for Regional Office (RO), Program Service Center (PSC) and DDS sites. Additionally, significant progress was made on the Standardized Security Profile Project (SSPP). During the year:

- Access assignments of operations personnel to access application transactions for all major SSA systems identified and defined by SSA management as critical to operations, were identified, reviewed, adjusted and confirmed;
- Datasets were identified for major systems defined by SSA management as critical to operations;
- New profiles and procedures were created to control access to the datasets within the critical applications identified and defined by SSA management;
- Many of the new profiles for granting update access to the datasets of the critical applications were established and vetted;
- New procedures were implemented to ensure new datasets were named in accordance with naming standards and that these datasets included descriptions to allow users to readily understand their contents; and,
- Procedures and plans were honed to continue the process to ensure controlled access to system datasets, including continuance of the SSPP.

Although significant progress has been made regarding logical security controls, we note the need for continued progress regarding the certification of security access assignments to system datasets within critical applications. Testing disclosed that systems employees still have direct update access to many of the datasets within the critical applications without consistent auditing. Further, at the time of our audit too many employees had been granted update access to allow reasonable review of their activities to be considered an effective control.

We also noted that security configurations had not been developed for all of the servers in use in SSA's distributed processing environment. Additionally, some server security configurations required update and enhancement. Distributed server security configurations represent a key control in ensuring security of the SSA network.

Specific disclosure of detailed information about these exposures might further compromise controls and are therefore not provided within this report. Rather, the specific details of weaknesses noted are presented in a separate, limited-distribution management letter.

The need for a strong security program to address threats to the security and integrity of SSA operations grows and transforms as the Agency continues to progress with plans to increase dependence on the Internet and Web-based applications to serve the American public. Clear, continued and measurable progress has been made towards the establishment of a strong overall security program. However, to more fully protect SSA from risks associated with the loss of data, loss of other resources or compromised privacy of information associated with SSA's enumeration, earnings, retirement and disability processes and programs, SSA must further strengthen its security program. Specifically, further progress is needed in the area of access assignments to application systems data and programs by systems personnel, including the continual review of systems access, and in the assurance that security configuration standards for distributed servers are established, kept current, and enforced.

Recommendations

We recommend that SSA continue its efforts to enhance information protection by continuing to implement the remaining portions of the SSPP and through the establishment, refinement and enforcement of procedures to ensure standard security configurations for distributed servers. More specific recommendations focused upon the individual exposures we identified are included in a separate, limited-distribution management letter.

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

INTERNAL CONTROL RELATED TO KEY PERFORMANCE INDICATORS AND RSSI

With respect to internal control relevant to data that support reported performance measures on pages 42 to 65 of this performance and accountability report, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. 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.

In addition, we considered SSA's internal control over RSSI by obtaining an understanding of SSA's internal control, determined whether these internal controls had been place in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02 and not to provide assurance on these controls. Accordingly, we do not provide an opinion on such controls.

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. 01-02, 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. 01-02.

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.

OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 1 to 2 and 7 to 80, Required Supplementary Information (RSI) included on pages 172 to 173, and Required Supplementary Stewardship Information (RSSI) included on pages 174 to 192 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 and OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A, RSI and RSSI. 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 consolidated and combined financial statements of SSA taken as a whole. The Schedule of Budgetary Resources, included on page 172 of this performance and accountability report, is not a required part of the consolidated or combined financial statements but is supplementary information required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. This information and the consolidating and combining information included on pages 168 to 171 of this performance and accountability report are presented for purposes of additional analysis and are not a required part of the consolidated or combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated and combined financial statements taken as a whole.

The other accompanying information included on pages 3 to 6, 81 to 145, 193 to 194 and 200 to the end 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 not been subjected to the auditing procedures applied in the audit of the consolidated and combined 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.

PriceWaterhouse Coopers LLP

November 8, 2004



SOCIAL SECURITY

The Commissioner

November 1, 2004

PricewaterhouseCoopers LLP
1301 K Street, NW
Washington, D.C. 20005

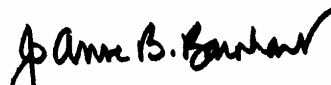
Ladies and Gentlemen:

We reviewed the draft combined report containing the Fiscal Year 2004 Report of Independent Auditors, Opinion on the Financial Statements, the Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations. We agree with all of the findings and recommendations contained in the report and our response and comments are enclosed.

We are pleased that the report states that the Social Security Administration (SSA) corrected many of the issues previously noted as part of a reportable condition regarding physical security at the Disability Determination Services (DDS) sites and enhanced continuity of operations activities, including testing of newly developed continuity procedures for regional office, program service center and DDS sites. We are also pleased that you recognized the significant progress made on reviewing and confirming systems access assignments during the year. Your findings confirm the continued improvement in SSA's systems security environment. Although significant progress has been made, we agree that further improvements are needed. As you recommended, we will continue to work with you to enhance information protection.

If members of your staff have any questions, they may contact Jeffrey C. Hild at (410) 965-0613.

Sincerely,



Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**Comments of the Social Security Administration (SSA) on PricewaterhouseCoopers'
Draft Combined Report Containing the Fiscal Year (FY) 2004
Report of Independent Auditors, Opinion on the Financial Statements, the Report on
Management's Assertion About the Effectiveness of Internal Control and the Report on
Compliance with Laws and Regulations**

General Comments

Thank you for the opportunity to comment on your combined draft report containing the Report of Independent Auditors, Opinion on the Financial Statements, the Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations.

We welcome your opinion that management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in Office of Management and Budget Bulletin No. 01-02, is fairly stated in all material respects as of September 30, 2004 and your report that SSA has no reportable instances of noncompliance with the laws and regulations tested.

We are pleased that the report indicated that SSA has made significant progress in addressing the reportable condition concerning the need to further strengthen controls to protect its information and that no new major weaknesses were found. We are also pleased that you believe that SSA has made sufficient progress to support the removal of two of the three elements of the reportable condition from FY 2003. We worked very hard during the year to improve security controls.

As you recognized in the report, SSA corrected many of the issues previously noted as part of the reportable condition regarding physical security at the Disability Determination Services (DDS) sites and enhanced continuity of operations activities, including testing of newly developed continuity procedures for regional office, program service center and DDS sites. We are also pleased that you recognized the significant progress made on reviewing and confirming systems access assignments during the year. As noted, new profiles and procedures were created to control access to the datasets within the critical applications identified and defined by SSA management and many of the new profiles were established and vetted. The access assignments of operations personnel were also identified, reviewed, adjusted and confirmed. Datasets were identified for major systems defined by SSA management as critical to operations and new procedures were implemented to ensure new datasets were named in accordance with naming standards. The datasets included descriptions to allow users to readily understand their contents.

Your findings confirm the continued improvement of the security over SSA's systems security environment. Over the last year SSA continued to address the highest risk elements of our sensitive systems. Although significant progress has been made, we agree that further improvements are needed. As you recommended, we will continue to strengthen the Agency's

security controls. We appreciate your evaluation of our controls and will continue to work with you to improve their effectiveness.

The following specific comments are provided.

Recommendations

We recommend that SSA continue its efforts to enhance information protection by continuing to implement the remaining portions of the Standardized Security Profile Project (SSPP) and through the establishment and refinement of procedures to ensure standard security configurations for distributed servers.

- **SSA Comment (Continuing to implement SSPP)**

SSA will continue with its SSPP program to ensure proper access assignments. The objective is to ensure that users have only been granted access to transactions and data necessary to fulfill their job responsibilities and nothing more. We will continue to identify, review, adjust and confirm systems access assignments as we have done during the past year. SSA will also pilot processes to limit Office of Systems' programmer update access to an as needed basis that will expire within a severely limited time frame. Access activity will also be reviewed. We will keep you informed on the status of this pilot and, after an appropriate period, we will determine the procedures most advantageous to the Agency.

- **SSA Comment (Ensure standard security configurations for distributed servers)**

We will continue to strengthen the security configurations already prepared by reviewing and updating them on a recurring basis and develop security configuration documents for the platforms mentioned in the review. We will also evaluate your recommendations to develop security configuration models for specific servers identified. We recognize that distributed server security configurations represent a key control in ensuring security of the SSA network and will do everything we can to improve in that area.

Inspector General Statement on SSA's Major Management Challenges



SOCIAL SECURITY

November 10, 2004

The Honorable Jo Anne B. Barnhart
Commissioner

Dear Ms. Barnhart:

In November 2000, the President signed the *Reports Consolidation Act of 2000 (Pub. L. No. 106-531)*, which requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This document responds to the requirement to include this statement in the *Social Security Administration's Fiscal Year 2004 Performance and Accountability Report*.

In September 2003, we identified six significant management issues facing the Social Security Administration for Fiscal Year 2004.

- **Social Security Number Integrity and Protection**
- **Management of the Disability Process**
- **Improper Payments**
- **Budget and Performance Integration**
- **Critical Infrastructure Protection and Systems Security**
- **Service Delivery**

I congratulate you on the progress you have made during Fiscal Year 2004 in addressing these challenges. I look forward to working with you in continuing to improve the Agency's ability to meet its mission efficiently and effectively. Our assessment of the status of these six management challenges is enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.
Acting Inspector General

Enclosure

*Inspector General Statement
on the
Social Security Administration's
Major Management Challenges*

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Social Security Number Integrity and Protection

In FY 2004, the Social Security Administration (SSA) issued over 17.5 million original and replacement Social Security number (SSN) cards, and SSA received approximately \$545 billion in employment taxes. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

The SSN has become a key to social, legal, and financial assimilation in this country. Because the SSN is so heavily relied on as an identifier, it is also valuable as an illegal commodity. Criminals improperly obtain SSNs by (1) presenting false documentation; (2) stealing another person's SSN; (3) purchasing an SSN on the black market; (4) using the SSN of a deceased individual; or (5) creating a nine-digit number out of thin air.

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 lawful aliens only if they can provide evidence of a valid nonwork reason. Our audits have noted a number of issues related to nonwork SSNs, including (1) the type of evidence provided to obtain a nonwork SSN, (2) the reliability of nonwork SSN information in SSA's records, (3) the significant volume of wages reported under nonwork SSNs, and (4) the payment of benefits to noncitizens who qualified for their benefits while working in the country without proper authorization.

Another important part of ensuring SSN integrity is the proper posting of earnings reported under SSNs. Properly posting earnings ensures eligible individuals receive the full retirement, survivor and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments.

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and/or SSNs fail to match SSA's records. As of October 2003, the ESF had accumulated over \$421 billion in wages and 244 million wage items for Tax Years (TY) 1937 through 2001. SSA attempts to reduce the amount of items in the ESF through edits and correspondence with employees and employers.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, there are still areas where the Agency can improve its processes. SSA can improve wage reporting by educating employers on reporting criteria, identifying and resolving employer reporting problems, and encouraging greater use of the Agency's SSN verification programs. SSA also needs to further coordinate with other Federal agencies that have separate, yet related, mandates. For example, the Agency has collaborated with the Internal Revenue Service (IRS) to achieve more accurate wage reporting. In August 2002, SSA provided a list of all employers with more than 100 items in the ESF to the IRS. The IRS later visited a number of these employers to review their employee records.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to strengthen controls in its enumeration process, including establishing an Enumeration Response Team. As a result of the Team's efforts, SSA now performs full collateral verification of all immigration documents before assigning SSNs to noncitizens. SSA requires mandatory interviews for all applicants for original SSNs who are over age 12 (lowered from age 18) and requires evidence of identity for all children, regardless of age. In addition, SSA has established an enumeration center in Brooklyn, New York, that focuses exclusively on assigning SSNs and issuing SSN cards. In FY 2005, SSA will also implement new systems enhancements that will simplify the interpretation of and compliance with the Agency's complex enumeration policies. The system will determine what documents and proofs the SSN applicant must present and will prompt the employee to ask the applicant for mandatory information. SSA has also created an Identity Theft Workgroup in which we participate. Furthermore, the Agency has made enhancements to its Modernized Enumeration System that will interrupt the

issuance of SSN cards when parents claim to have an improbably large number of children, and add an alert to an individual's record when the SSN has been used for the purpose of establishing a fictitious identity.

To address nonwork SSN misuse, SSA has placed greater restrictions on the issuance of nonwork SSNs. SSA also monitors noncitizens who have earnings posted under a nonwork SSN and reports this information to the Department of Homeland Security. Recent legislation should also help address this issue. In March 2004, *the Social Security Protection Act of 2004 (Pub. L. No. 108-203)* was signed into law. This act generally precludes the payment of benefits based on the earnings of noncitizens who have never been issued an SSN indicating authorization to work in the United States. This provision is effective with respect to SSNs issued after December 2003.

SSA has taken steps to reduce the size and growth of the ESF. For example, SSA has piloted the Social Security Number Verification Service, which allows employers to verify the names and SSNs of employees before reporting their wages to SSA. The Agency has also modified its automated processes to better identify the numberholder related to items in the ESF. SSA stated the new processes would use information stored on the earnings and benefits records whereas previous internal edits only used the names and SSNs related to the suspended wages. Through September 2004, SSA reduced the ESF by approximately 7.9 million items, short of its FY 2004 goal of 27.6 million items. SSA reported that the principal reason its goal was not met was due to underestimating the time needed to design and fully implement a new series of very complex matching software routines.

Finally, SSA is establishing an Earnings Data Warehouse (EDW) that can track employer-specific reporting trends. This facility will be able to determine the percent of an employer's payroll that contains name and SSN mismatches and should allow for better targeting of problem employers. The EDW should be able to produce a listing of employers showing their wage reporting accuracy by the end of Calendar Year 2004.

Management of the Disability Process

SSA needs to improve critical parts of the disability process – determining disabilities, the accuracy of disability payments, and the integrity of the disability programs. In January 2003, the Government Accountability Office (GAO) added modernizing Federal disability programs—including SSA’s—to its 2003 high-risk list. GAO did this, in part, because of outmoded concepts of disability, lengthy processing times, and decisional inconsistencies.

SSA needs to continue its efforts to improve the process used to determine claimant disability by focusing on initiatives that will improve the timeliness and quality of its services. For example, the Office of Hearings and Appeals’ (OHA) average processing time has increased significantly from 297 days in FY 2000 to 391 days in FY 2004. Further, the hearings pending workload for FY 2004 was 635,601 cases, whereas it was 346,756 cases in FY 2000. This represents an 83.3 percent increase in OHA’s pending workload. SSA’s efforts to address its pending workload did not meet the goals established for FY 2004. In FY 2004, SSA processed 497,379 hearings, well below its goal of 538,000.

Another area SSA needs to improve is ensuring the correct benefits are paid to the correct individuals. In a July 2004 report, we estimated that, although SSA identified and assessed about \$1.8 billion in overpayments because of disabled beneficiaries’ work activity, the Agency did not detect an additional \$1.4 billion in improper payments. Our review showed that continuing disability reviews (CDR) are critical to determining whether a disabled beneficiary continues to be eligible for benefits.

Fraud is an inherent risk in SSA’s disability programs. Some unscrupulous people view SSA’s disability benefits as money waiting to be taken. Key risk factors in the disability program are individuals who feign or exaggerate symptoms to become eligible for disability benefits or who, after becoming eligible to receive benefits, knowingly fail to report medical improvements.

SSA Has Taken Steps to Address this Challenge

SSA continues to focus on improving the disability process. In September 2003, the Commissioner proposed a new approach for improving the disability determination process and making the right decision as early in the process as possible. The approach includes several initiatives that emphasize timely and accurate disability decisions. For example, a quick-decision step would initially sort claims based on information provided by claimants to identify people who are obviously disabled. The expedited claims would be processed by expert review units, allowing for both timely decisions and Disability Determination Services (DDS) to focus their resources on more complex claims. Additionally, the Commissioner proposed an in-line quality review process managed by the DDSs. A centralized quality control unit would replace the current SSA quality control system to quickly identify problem areas and implement corrective actions.

The Commissioner views her September 2003 proposal as the first step in a collaborative process eventually leading to a final plan for disability improvements. Concurrent with the new approach, the Commissioner plans to conduct several demonstration projects to help people with disabilities return to work.

In addition to her long-term proposal, the Commissioner has accelerated the Agency’s transition to the electronic disability folder stating it is critical to improving SSA’s disability process. The electronic disability folder will allow for disability claims information to be stored electronically and transmitted between field offices, hearing offices, and DDSs.

SSA is addressing the integrity of its disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program’s mission is to obtain evidence that can resolve questions of fraud in SSA’s disability programs. SSA’s Offices of Operations and Disability Programs, along with the Office of the Inspector General, manage the CDI program. There are 18 CDI units operating in 17 States. Since the program’s inception in FY

1998, CDI efforts have resulted in over \$410 million in projected savings to SSA's disability programs and over \$266 million in projected savings to non-SSA programs. In FY 2004, the CDI units saved SSA over \$132 million by identifying fraud and abuse related to initial and continuing claims within the disability program.

Improper Payments

SSA is responsible for issuing benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. In FY 2003, SSA issued about \$499 billion in benefit payments to about 51 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.

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, or payments to ineligible beneficiaries. 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.

The President and Congress have expressed interest in measuring the universe of improper payments within the Government. In August 2001, the Office of Management and Budget (OMB) published the FY 2002 President's Management Agenda (PMA), which included a Government-wide initiative for improving financial performance, including reducing improper payments. In November 2002, the *Improper Payments Information Act of 2002* (Pub. L. No. 107-300) was enacted, and OMB issued guidance in May 2003 on implementing this law. Under the Act, SSA must estimate its annual amount of improper payments and report this information in the Agency's annual *Performance and Accountability Report*. OMB will then work with SSA to establish goals for reducing improper payments in its programs.

SSA and the Office of the Inspector General have discussed such issues as detected versus undetected improper payments and avoidable overpayments versus unavoidable overpayments that are outside the Agency's control and a cost of doing business. In August 2003, OMB issued specific guidance to SSA to only include 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.

In FY 2004, our work in this area focused on improper payments related to disabled beneficiaries who work. As discussed in the preceding section of this report, we found that SSA identified and assessed about \$1.8 billion in overpayments for about 117,320 beneficiaries. However, we estimated the Agency did not detect about \$1.4 billion in overpayments to approximately 63,000 disabled beneficiaries.

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 improper payments after a beneficiary dies through the use of Electronic Death Registration information. Also, the Agency's CDR process is in place to identify and prevent beneficiaries who are no longer disabled from receiving payments. Finally, SSA is implementing eWork—a new automated system to control and process work-related CDRs—which should strengthen SSA's ability to identify and prevent improper payments to disabled beneficiaries.

SSA is also taking action to recover improper payments. The Agency reported that approximately 42 percent of OASDI overpayments and about 54 percent of SSI overpayments were in a collection arrangement.

We have helped the Agency reduce improper payments to prisoners and improper SSI payments to fugitive felons. However, our work has shown that improper payments—such as those related to workers’ compensation—continue to diminish the Social Security trust funds. Additionally, with the passage of the *Social Security Protection Act of 2004*, SSA has new opportunities and faces new challenges in preventing and recovering improper payments—such as OASDI benefits to fugitives.

Budget and Performance Integration

This area encompasses SSA's efforts to provide timely, useful, and reliable data to assist internal and external decisionmakers in effectively managing Agency programs, as well as evaluating performance and ensuring the validity and reliability of performance, budgeting, and financial data.

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, the general public, and other interested parties also need sound and credible data to monitor and evaluate SSA's performance. The PMA has emphasized the management and performance integration of Federal agencies. SSA has demonstrated a commitment to the *Government Performance and Results Act of 1993* (Pub. L. No. 103-62) by developing strategic plans, annual performance plans and annual performance reports. However, we believe SSA can further strengthen its use of performance information by fully documenting the methods and data used to measure performance and by improving its data sources.

Our work has found that SSA has not consistently developed or documented detailed policies and procedures to collect, review, and report information for individual performance indicators. For the indicators we reviewed in FY 2004, SSA did not consistently document the data sources, data interfaces, data modifications, or controls used to ensure performance indicator data were complete, accurate, and valid. Considering the crucial role of the underlying data in all of SSA's performance, financial, and data-sharing activities, the Agency needs clear processes in place to ensure the reliability and integrity of its data.

We audited 16 performance measures in FY 2004 and found the data for 8 of the measures were reliable while the data for 6 of the measures were not reliable. We were unable to determine the reliability of the data used for two of the measures because SSA did not maintain archived copies of the data used to calculate indicator results.

SSA Has Taken Steps to Address this Challenge

Our audits and reviews of SSA's financial statements, annual performance plans and reports, and individual performance measures disclosed that SSA has demonstrated commitment to the production and use of reliable performance and financial management data. For example, SSA continues to work on its Managerial Cost Accountability System (MCAS) and expects some MCAS projects to go into production in FY 2005. SSA is the only Federal agency that has received the *Certificate of Excellence in Accountability Reporting* for its *Performance and Accountability Report* every year since the award program began in FY 1998. Additionally, OMB updated the PMA scorecard in FY 2004, continuing to rate SSA's status in Financial Management as green, and raising the Agency's rating for Budget and Performance Integration from yellow to green.

The Agency has taken steps to better align its ability to match resources to performance. The Commissioner has developed a multi-year Service Delivery Budget Plan, which aligns costs and work years with overarching performance goals in SSA's Strategic Plan. The Plan was developed to demonstrate the resources required to address core workloads; process special workloads; eliminate backlogs of disability claims, hearings and appeals and other operational workloads; and to improve productivity and fiscal stewardship. Additionally, SSA is developing an automated system that will build on the current financial, performance and management information systems and enable the Agency to better project how resource changes affect various workloads, outputs and outcomes. It has also demonstrated a macro budget formulation model which helps estimate what level of performance to expect at different levels of funding and productivity.

Critical Infrastructure Protection and Systems Security

The information technology revolution has changed the way governments and businesses operate. In today's world, every computer system is a potential target. Any disruptions in the operation of information systems that are critical to the nation's infrastructure should be infrequent, manageable, of minimal duration and cause the least damage possible. The Government must make continuous efforts to secure information systems for critical infrastructures. Protection of these systems is essential to the operation of the telecommunications, energy, financial services, manufacturing, water, transportation, health care, and emergency services sectors.

SSA's information security challenge is to understand and mitigate system vulnerabilities. This means ensuring the security of its critical information infrastructure, such as access to the Internet and the Agency's networks. Since 1997, SSA has had an internal controls reportable condition concerning its protection of information based on weaknesses in controls over access to its electronic information, technical security configuration standards, suitability, and continuity of systems operations. Access to the information, or access control, is the most important of these factors. The reportable condition will not be resolved until SSA employees only have access to the data they need to do their jobs.

While protecting its critical information infrastructure, the Agency is tasked with offering more electronic services to the public. The Expanded Electronic Government, or e-Government, initiative of the PMA calls for the expanded use of the Internet to provide faster and better access to government services and information. Specifically, e-Government calls for the Agency to help citizens find information and obtain services organized according to their needs, and not according to the divisions created by the Agency's organizational chart. SSA needs to ensure that the expansion of its electronic services does not increase the risks to its systems.

SSA Has Taken Steps to Address this Challenge

SSA addresses the protection of its critical information infrastructure and systems security in a variety of ways. For example, it created a Critical Infrastructure Protection workgroup that continuously works toward compliance with various directives, such as the Homeland Security Presidential Directive and the *Federal Information Security Management Act of 2002* (Pub. L. No. 107-347). Further, SSA created the Office of Information Technology Security Policy within the Office of the Chief Information Officer. Additionally, SSA routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

SSA has been working to comply with the security portion of the e-Government initiative of the PMA. Some of the specific steps the Agency has taken in attempt to move from an OMB rating of yellow to green on the e-Government initiative, while maintaining an effective overall security framework, include

- participating in *Forward Challenge 04*, the Government-wide disaster recovery exercise;
- assessing and adjusting the access of about 49,000 operations employees;
- implementing an automated tool to better track security weaknesses and help monitor their resolution;
- revising its Certification and Accreditation process to comply with new National Institute of Standards and Technology guidance; and
- progressing on the Standard Security Profile Project with the objective of eventually removing the reportable condition.

SSA needs to take additional steps to remove the reportable condition. Particularly, the Agency needs to do more to ensure the number of programmers who have access to production data is limited to only those who require the access to perform their jobs and no more, have security configuration models for all its servers and computers, and ensure compliance with the security configuration models. SSA also needs to ensure it continues to sustain and expand the steps taken to date to reach the OMB rating of green for e-Government.

Service Delivery

The Agency's goal of "service" encompasses traditional and electronic services provided 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. SSA's service-related goal supports the delivery of "citizen-centered" services through the use of e-Government and therefore affords SSA opportunities to advance the level of its service. Given the complexity of the Agency's programs, the billions of dollars in payments at stake, and the millions of citizens who rely on SSA, the Agency is challenged to provide quality, timely, and appropriate services consistently to its clients and the public-at-large. E-Government, human capital, and the representative payee process pose significant challenges that impact service delivery.

The PMA calls for improved service delivery through the use of e-Government in creating more cost-effective and efficient ways to provide service to citizens. The increased use of e-Government will be vital as the Agency addresses rising workloads associated with the aging of the baby-boom generation.

Another challenge to service delivery is human capital. In January 2001, GAO found that human capital management was a pervasive problem Government-wide and added it to its list of high-risk Federal programs and operations. In addition, Strategic Management of Human Capital was designated as one of five Government-wide initiatives contained in the PMA. The Agency's critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services, must be addressed by succession planning, recruitment efforts, and the effective use of technology, as previously discussed.

The integrity of the representative payee process is another specific challenge in this area. When SSA determines a beneficiary cannot manage his or her benefits, SSA selects a representative payee who manages and solely uses the payments for the beneficiary's needs. SSA reported that there are about 5.4 million representative payees who manage about \$44.8 billion in benefits for about 6.9 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must continue to ensure representative payees meet their responsibilities to the beneficiaries they serve.

In March 2004, the President signed into law the *Social Security Protection Act of 2004*. This Act provides several new safeguards for those individuals who need a representative payee, while presenting significant challenges to SSA to ensure representative payees meet beneficiaries' needs. For example, it requires that SSA conduct additional periodic, on-site reviews of representative payees. It also authorizes SSA to impose civil monetary penalties for offenses involving misuse of benefits received by a representative payee.

Our audits of representative payees have shown that improved SSA oversight and monitoring of representative payees are needed. We identified deficiencies with representative payees' financial management and accounting for benefit receipts and disbursements; vulnerabilities in safeguarding beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; inappropriate handling of beneficiary conserved funds; and improper charging of fees.

SSA also needs to improve its selection of representative payees. For example, we estimated in one audit report that over 1,700 individuals who had representative payees themselves were selected as representative payees for others. These representative payees with representative payees were responsible for managing \$7.6 million in OASDI and SSI payments over a 1-year period. We have also identified cases where SSA did not establish representative payees for individuals found to need them. We estimated that at least 17,000 beneficiaries were directly paid at least \$342 million that should have been paid through representative payees.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to address its e-Government, human capital, and representative payee challenges. Within the next 5 years, the Agency expects to provide cost-effective e-Government services to citizens, businesses and other government agencies that will give them the ability to easily and securely transact most of their business with SSA electronically. In the past 5 years, the Agency has launched the Internet Social Security Benefit Application, and created on-line requests for Social Security Statements, replacement Medicare cards, proof of income letters (formerly known as Benefit Verification Statements) and change of address. Most recently, the Agency added the Adult Disability and Work History Report, the Childhood Disability Report and the Appeals Disability Report to its on-line services. Within 1 year, the recently launched electronic disability folder will be implemented nationwide.

The Agency has taken steps to meet its future workforce needs. Studies have been conducted to predict staff retirements and attritions for major job positions. Further, SSA planning documents comply with the PMA and achieve expected near-term results related to the strategic management of human capital. SSA's ongoing progress has resulted in the Agency obtaining a green rating for Human Capital on OMB's PMA Scorecard.

SSA has taken steps to address its representative payee process challenge. It has established workgroups to implement each section of the *Social Security Protection Act of 2004*. The Act calls for increased monitoring of representative payees. Accordingly, the Agency is modifying the system selection processes for its site review program so it can review fee-for-service representative payees, volume representative payees (serving 50 or more beneficiaries) who are subject to expanded monitoring, and individual representative payees serving 15 or more beneficiaries, as required by Section 102(b) of the *Social Security Protection Act of 2004*. SSA performs these reviews triennially.

Other Statutory Information

Anti-Fraud Activities

SSA is committed to improving financial management by preventing fraudulent and improper payments (see Agency Challenges section 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 OASI, DI and 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 to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The following table shows that the State DDSs have consistently made the correct decision to allow benefits.

Quality Assurance Review					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
% of accurate decisions to allow or continue benefits by State DDSs	96.7%	96.8%	96.3%	96.2%	96.4%
No. of cases reviewed	42,196	39,515	39,188	39,066	40,323
No. of cases returned to DDS due to error or inadequate documentation	1,381	1,281	1,455	1,499	1,454

SSA also performs preeffectuation reviews of favorable DDS 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 table on the following page shows that over 96 percent of the decisions made on preeffectuation reviews are accurate.

Preeffectuation Reviews					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
% of State DDS decisions not returned to DDS due to error or inadequate documentation	96.6%	96.8%	96.3%	96.2%	96.2%
No. of cases reviewed	259,784	298,466	310,683	318,505	334,793
No. of cases returned to DDS due to error or inadequate documentation	8,567	9,438	11,186	12,090	12,667

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. The performance accuracy of these CDRs is displayed below.

CDR Performance Accuracy					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Overall Average	96.1%	96.1%	95.2%	94.2%	94.7%
Continuances	96.5%	96.4%	95.5%	94.4%	95.0%
Cessations	93.6%	93.8%	93.5%	93.5%	93.0%

OASI and SSI Quality Assurance Reviews

One of SSA's four GPRA 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 GRPA Performance Results section of this report on pages 101 through 103.

SSI Redeterminations

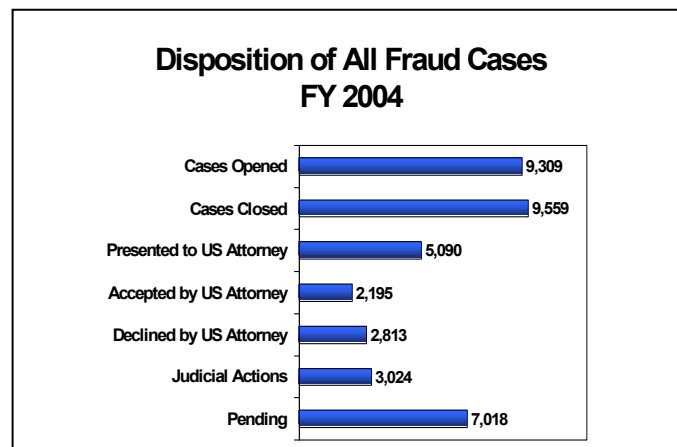
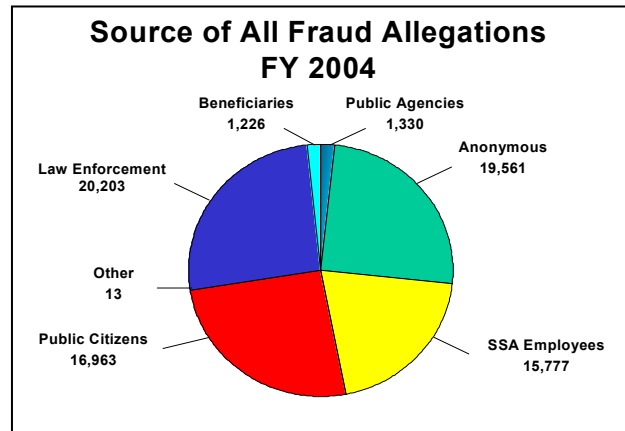
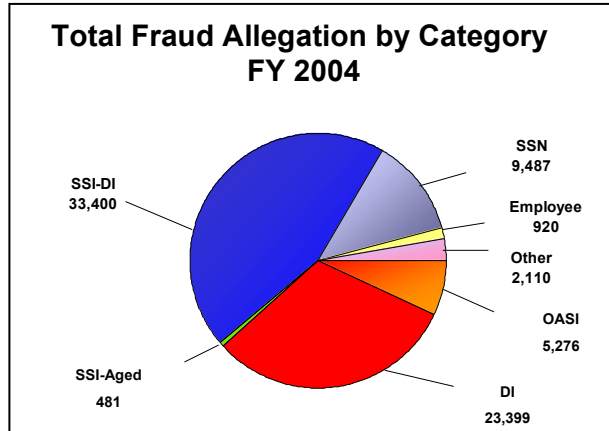
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA has set a goal for the number of SSI redeterminations to be processed in FY 2004. Detailed discussion on SSI redetermination performance can be found in the Performance Goals and Results section of this report on page 55 and 56.

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 nearly \$1.1 billion in processing over 8.2 million alerts in FY 2003. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of more than \$7.5 billion in overpayments detected and/or prevented. The FY 2004 results of these payment safeguard activities were not available at the time of the PAR publication. These figures will be available sometime in early 2005.

OIG's Anti-Fraud Activities

In FY 2004, 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 \$265 and \$285 million in FY 2003 and FY 2004, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 95 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 2004, SSA charged a fee of \$8.77 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$9.06 for FY 2005. 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 2004 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed.

Debt Management

During FY 2004, SSA continued to use its own internal debt collection methods, as well as the more aggressive methods authorized by law. SSA uses benefit withholding to collect overpayments from monthly benefits when the person is still on the rolls. In FY 2004, SSA collected \$1.3 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. That system enables SSA to send a series of progressively stronger notices requesting repayment and to make telephone calls to negotiate repayment. The Agency collects several hundred million dollars a year by this method. In addition, SSA continued to use the aggressive debt collection tools available to the Agency. These authorized recovery mechanisms include:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund.
- Administrative Offset that enables collection of a delinquent debt from a Federal payment other than a tax refund.
- Mandatory Cross-Program Recovery which is the collection of a former SSI recipient's debt from any OASDI benefits due that person.
- The use of Credit Bureau Reporting to encourage repayment of delinquent debts.

These tools continue to demonstrate their significance in the collection of delinquent program debt. Since SSA began using the aggressive collection tools of tax refund offset, administrative offset and credit bureau reporting, the Agency has collected over \$900 million as a result of those methods. Most recently in FY 2004, SSA collected over \$117 million from tax refunds and other Federal payments. Since implementation of mandatory cross program recovery in February 2002, SSA has collected over \$138 million.

In FY 2004, SSA continued its development of administrative wage garnishment (AWG), or the collection of OASDI and SSI debts from wages of people working in the private sector. The Agency published regulations in January 2004 and has completed most of the systems development required to conduct AWG. This collection technique promises to be a significant addition to SSA's debt collection program.

The new system, developed in FY 2002, for analyzing and monitoring SSA's debt portfolio was instrumental in the creation of a new 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 Government Performance and Results Act only includes legally defined overpayments in which beneficiaries have certain due process rights.

FY 2004 Quarterly Debt Management Activities (In Millions)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	\$12,295.2	\$12,292.9	12,340.1	\$12,260.2
Total collections (cumulative)	(507.0)	(1,114.3)	(1,664.7)	(2,248.8)
Total write-offs (cumulative)	(229.2)	(442.5)	(661.6)	(892.7)
TOP collections (cumulative)	(2.0)	(44.4)	(71.1)	(51.8)
Aging schedule of delinquent debts:				
- 180 days or less	805.0	667.4	721.6	751.1
- 181 days to 10 years	1,645.5	1,676.6	1,639.2	1,681.8
- Over 10 years	<u>35.8</u>	<u>35.6</u>	<u>36.3</u>	<u>37.2</u>
- Total delinquent debt	\$2,486.3	\$2,379.6	\$2,397.1	\$2,470.1

SSA Debt Management Activities					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Total debt outstanding end of FY (millions)	\$7,107.7	\$11,437.1	\$12,531.0	\$13,418.4	\$12,260.2
% of outstanding debt					
- Delinquent	15.5%	9.3%	16.5%	18.9%	20.3%
- Estimated to be uncollectible	33.9%	25.3%	18.9%	21.1%	24.6%
New debt as a % of benefit outlays	0.9%	1.7%	0.9%	0.8%	0.8%
% of debt collected	33.5%	19.9%	18.5%	17.2%	18.3%
Cost to collect \$1	\$0.10	\$0.11	\$0.11	\$0.10	\$0.09
% change in collections from prior FY	7.6%	(4.4%)	1.5%	(0.3%)	(2.5%)
% change in delinquencies from prior FY	25.6%	(3.5%)	94.4% ¹	22.4%	(2.1%)
Collections & write-offs as a % of Total Debt	31.0%	21.5%	21.0%	19.4%	18.0%
Collections as a % of clearances	73.7%	70.8%	70.8%	71.5%	71.6%
Total write-offs of debt (in millions)	\$850.8	\$941.3	\$954.0	\$918.7	\$892.7
Average number of months to clear receivables:					
- OASI	12	14	14	18	22
- DI	26	32	34	33	38
- SSI	27	4	26	52	47

1. In September 2001, SSA implemented a new process FY 2002 that identifies, ages, and reports delinquent debt on an individual debt basis in the SSI program. This new process increased the amount of delinquent SSI debt reported from about \$61 million at the close of FY 2001 to about \$1.1 billion at the close of FY 2002.



Appendix

Improper Payments Information Act of 2002

Detailed Report

Background

The Social Security Administration (SSA) reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the nonmedical aspects of old age and survivors' insurance (OASI), disability insurance (DI), and supplemental security insurance (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the Improper Payments Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. The OMB guidance provides that payments resulting from legal or policy requirements are unavoidable and are not to be considered as improper. 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

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 recipient or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical factors of eligibility 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 beneficiary 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 (overpayments and underpayments) for FY 2003 total 7.3 percent or \$2,639 million of \$35,706 million in program outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements beyond those programs and activities listed in the former Section 57 of Office of Management and Budget (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 first time 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 fiscal years (FYs) FY 2001, 2002 and 2003 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 goals for FYs 2004, 2005, 2006 and 2007 for the OASDI and SSI programs are presented in Table 2. Estimated improper payment rates for FY 2004 will be available in June 2005. In the SSI program, SSA has established a 5-year goal to achieve

96 percent overpayment accuracy by FY 2008. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent for both overpayments and underpayments.

Table 1: Improper Payments Experience FY 2001 – FY 2003
(\$ in millions)

	FY 2001		FY 2002		FY 2003	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	\$367,700	100%	\$384,000	100%	\$396,700	100%
Underpayments	\$797	0.22%	\$175	0.05%	\$203	0.05%
Overpayments	\$79	0.02%	\$425	0.11%	\$173	0.04%
Total OASI Improper Payments	\$876	0.24%	\$600	0.16%	\$376	0.09%
DI						
Total Payments	\$58,200	100%	\$64,200	100%	\$69,800	100%
Underpayments	\$211	0.36%	\$175	0.27%	\$280	0.40%
Overpayments	\$614	1.06%	\$169	0.26%	\$1,051	1.51%
Total DI Improper Payments	\$825	1.42%	\$344	0.53%	\$1,331	1.91%
OASDI						
Total Payments	\$425,800	100%	\$448,200	100%	\$466,500	100%
Underpayments	\$1,008	0.24%	\$350	0.08%	\$483	0.10%
Overpayments	\$693	0.16%	\$594	0.13%	\$1,224	0.24%
Total OASDI Improper Payments	\$1,701	0.40%	\$944	0.21%	\$1,707	0.34%
SSI						
Total Payments	\$32,715	100%	\$34,532	100%	\$35,706	100%
Underpayments	\$386	1.2%	\$469	1.4%	\$444	1.2%
Overpayments	\$2,204	6.7%	\$2,272	6.6%	\$2,195	6.1%
Total SSI Improper Payments	\$2,590	7.9%	\$2,741	8.0%	\$2,639	7.3%

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 2001, $\pm 0.37\%$ for underpayments and $\pm 0.30\%$ for overpayments; for FY 2002, $+0.04\%$ and -0.03% for underpayments and $+0.10\%$ and -0.28% for overpayments; for FY 2003, $+0.04\%$ and -0.02% for underpayments and $+0.04\%$ and -0.12% for overpayments.
3. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2001, $\pm 0.13\%$ for underpayments and $\pm 0.33\%$ for overpayments; for FY 2002, $+0.26\%$ and -0.29% for underpayments and $+0.25\%$ and -0.37% for overpayments; for FY 2003, $+0.39\%$ and -0.51% for underpayments and $+1.50\%$ and -2.39% for overpayments.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2001, $\pm 0.25\%$ for underpayments and $\pm 1.06\%$ for overpayments; for FY 2002, $\pm 0.3\%$ for underpayments and $\pm 1.1\%$ for overpayments; for FY 2003, $\pm 0.3\%$ for underpayments and $\pm 1.0\%$ for overpayments.

Table 2: Improper Payments Reduction Outlook FY 2004 – FY 2007
(\$ in millions)

	2004 target		2005 target		2006 target		2007 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	\$488,000	100%	\$509,000	100%	\$533,000	100%	\$559,000	100%
Underpayments	\$980	0.2%	\$1,020	0.2%	\$1,070	0.2%	\$1,120	0.2%
Overpayments	\$980	0.2%	\$1,020	0.2%	\$1,070	0.2%	\$1,120	0.2%
Total Improper Payments	\$1,960	0.4%	\$2,040	0.4%	\$2,140	0.4%	\$2,240	0.4%
SSI								
Total Payments	\$39,000	100%	\$40,000	100%	\$41,000	100%	\$37,000	100%
Underpayments	\$468	1.2%	\$480	1.2%	\$492	1.2%	\$444	1.2%
Overpayments	\$2,184	5.6%	\$2,040	5.1%	\$1,886	4.6%	\$1,591	4.3%
Total Improper Payments	\$2,652	6.8%	\$2,520	6.3%	\$2,378	5.8%	\$2,035	5.5%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2004 data will not be available until June 2005; therefore, the rates shown are targets (goals).
3. The FYs 2004 – 2007 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2005 Budget.
4. The estimated total SSI payments shown for FY 2007 is lower than the estimated payments for FY 2006 and earlier years because there will only be 11 months of payments actually issued in FY 2007 rather than the normal 12 months of payments.

Improper Payments in the OASI program

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 1999-2003), a total of over \$1.8 trillion was paid to OASI beneficiaries, and over 99.82 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented less than 0.18 percent of the total dollars paid or about \$3.2 billion.

Major Causes of OASI Improper Payments

Major causes of improper payments in the OASI program over this 5-year period are listed below (followed by a detailed description under the Corrective Action section) and account for over 60 percent of the improper overpayments identified.

- Annual Earnings Test (AET)
- Computations
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Wages/Self-Employment Income (SEI)

The major causes of improper underpayments in the OASI program have been:

- Computations
- Wages/SEI

While the improper payment rate in the OASI 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. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments.

Corrective Actions

Beginning in FY 2000, the AET no longer applied to beneficiaries who are at the full retirement age or older. Annual earnings test improvements that reduce improper payments include:

- The reduction in the age at which the annual earnings test no longer applies (from age 70) eliminates the possibility of annual earnings test error for beneficiaries who have reached the full retirement age.
- Establishing an earnings estimate for the current year based on prior earnings when no estimate is given should substantially reduce overpayments.
- Providing employers with a pamphlet about special wage payments will improve their understanding and thereby reduce incorrect withholdings due to failure to obtain special payment information.

Over the last several years, SSA has undertaken a series of initiatives to correct computation errors in benefit payments that have accumulated over many years. The corrections affected more than one million beneficiaries and \$4 billion in past and future benefits. These initiatives resulted in SSA identifying and processing payment increases for: (1) beneficiaries who had not received benefit increases that were due, based on additional earnings after entitlement, yet these earnings were used for deductions (benefit losses) under the AET; (2) other beneficiaries who did not receive benefit increases that should have resulted from additional covered earnings posted to their earnings records; and (3) beneficiaries who were eligible for a different type of benefit that was higher than the benefit they were receiving, but were not converted to this higher benefit

In the relationship/dependency area, SSA has redesigned its student eligibility process. Starting in March 2001 for students born 6/2/83 or later, SSA now verifies a student's school attendance information by obtaining a school official's certification before awarding benefits. The student must leave a reporting form with the school, and then SSA requests the school, as well as the student, to advise SSA of changes in the student's school attendance that could affect the student's entitlement to benefits.

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. 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 receive almost 138 million W-2s electronically for tax year 2003 (58 percent of all W-2s filed). By 2004, SSA expects to receive over 55 percent of all W-2s electronically. 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 highly automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service.
- Search the suspense file for missing earnings.
- Match and move items from suspense to the beneficiaries earnings record.
- Pay benefit increases.

SSA has initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file. SSA has established a goal to find the correct earnings record and post 30 million suspense items for years 2000 and earlier before 2005.

Improper Payments in the DI program

Over the last 5 years (FYs 1999-2003), \$296.9 billion was paid to DI beneficiaries and over 98.76 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 1.2 percent of the total dollars paid or almost \$3.7 billion.

Major Causes of DI Improper Payments

Major causes of improper overpayments in the DI program over this 5-year period are listed below (followed by a detailed description under the Corrective Action section) and one error category, Substantial Gainful Activity (SGA) accounted for over 80 percent of the improper overpayments identified.

- SGA
- Unreported Death
- Workers' Compensation (WC)

The major causes of improper underpayments in the DI program have been:

- WC
- Wages/SEI
- Computations

Errors treated to SGA accounted for almost 95 percent of all DI overpayment deficiency dollars in FY 2003 and for over 75 percent of all DI overpayments for the last 5 FYs (1999-2003). For FYs 1998-2002, SGA deficiencies accounted for about 45 percent of DI overpayments; however, in FY 2002, SGA accounted for only \$13.3 million in DI overpayments or only about 8 percent of the DI overpayments for that year. In analyzing the data on the causes of improper payments in the DI and OASI programs, it is important to recognize that given the huge dollar amounts of payments issued each year, the historically high accuracy rates of the payment issued and the size of the quality assurance samples, infrequently occurring error type cases can have a large impact on specific error categories from year-to-year. As a result, wide fluctuations often occur from year-to-year in the projected dollar amount of improper payments due to a particular category of error and oftentimes these fluctuations are not statistically significant. For example, as indicated above, SGA accounted for only \$13.3 million in overpayments for FY 2002 but rose to almost \$1 billion in FY 2003. Yet, this apparent marked rise in SGA overpayment dollars in FY 2003 (caused primarily by only two error cases involving large projected overpayment dollars) is not statistically significant. Therefore, a focused analysis of existing outstanding DI overpayments is being conducted to identify how much is attributable to SGA versus those resulting from benefit continuation in disability cessation cases, which are the two main causes of DI overpayments.

Corrective Actions

Most SGA errors occurred because the beneficiaries failed to notify SSA that they had returned to work and were earning an amount above the SGA level, or SSA failed, in some cases, to act in a timely manner on those reports it did receive. A software tool is available to every SSA field office where reports of return to work by disabled beneficiaries can be monitored automatically to ensure proper handling of SGA in these cases. SSA currently has the authority to impose civil monetary penalties (CMP) against individuals who make false statements to SSA. However, in order to pursue a case under this provision, there must be an affirmative false statement made by the subject, preferably in writing. This means that cases where the person's failure to inform SSA of a reportable event, such as return to work, cannot currently be pursued under the CMP provision.

More timely and accurate death data would enable SSA to more effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments to improve the current paper-based process. The most efficient manner to improve timeliness of State data is by using Electronic Death Reporting (EDR); a web-based automation of the death registration process. EDR electronically links the participants in death registration, providing more timely and accurate data. SSA's goal is to receive verified death data within 24 hours of receipt in the State repository and within 5 days of death. EDR would also improve the accuracy of the death master file that we share with other Federal agencies. As of September 30, 2004, 4 States are providing EDR "online" to SSA. SSA has identified funds for this initiative and is proceeding with contract activities with 6 additional States.

SSA is giving high priority to correcting workers' compensation (WC) errors. Some people who receive Social Security disability benefits also receive Federal or State workers' compensation payments. When a person is eligible to receive both types of payments, the law imposes a limit on the total amount the person can receive each month. When that occurs, SSA withholds a portion of the person's Social Security disability payments. SSA identified disability insurance beneficiaries whose workers' compensation payments changed. Some of these people had been paid incorrect amounts of Social Security disability benefits while others had been underpaid since their WC had stopped and their SSA benefit amount had not been increased accordingly. Errors related to improper imposition of WC offset provisions continued to be the leading cause of underpayment errors in FY 2003. WC errors also were the leading cause of underpayments errors for FYs 1999 through 2003. SSA's Operations staff has already reworked more than 112,000 cases where the beneficiary was in WC offset at the time the processing problems with WC were identified. In FY 2003, the cleanup effort was expanded to include reworking more than 200,000 WC cases where WC offset was removed to ensure correct handling of these cases. In addition, the redesign of the Title II system has provided staff with automated tools to assist in the cleanup efforts and the recent (June 2004) implementation of new software contains additional automated aids for processing WC cases.

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 SI benefits. To keep this from happening in the future, we have rewritten computer programs and retrained technical employees to identify eligibility as it occurs.

Improper Payments in the SSI program

Over the past 5-years (FYs 1999-2003) about \$164 billion was paid to SSI recipients and about 92.3 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 7.7 percent of the dollars paid or almost \$12.6 billion.

Major Causes of SSI Improper Payments

For FY 2003, the major causes of overpayments in the SSI program (followed by a detailed description under the Corrective Action section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

The major causes of underpayments in the SSI program for FY 2003 (followed by a detailed description under the Corrective Action section) were:

- Wages
- In-kind Support and Maintenance
- Living Arrangements

Corrective Actions

For the last 10 years, wage errors have accounted for about one-fourth of the total improper overpayment dollars. Historically, accurate projections of wage income for a large number of SSI recipients have been problematic because the amount of the wages fluctuates from month to month. Fluctuating wage deficiencies, along with wage deficiencies attributed to “deeming,” which occur when a parent or a spouse of an eligible individual (a “deemor”) has wages that are either unknown to SSA or incorrect on the SSI payment record, accounted for 28 percent and 36 percent, respectively, of SSI overpayments for FY 2003. From another perspective, the recipient's or representative payee's failure to report a payment affecting change accounted for about 90 percent of all wage deficiencies for FY 2003.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. But even these data are at least 4 months old when accessed. In an effort to learn more quickly about unreported work, SSA is also exploring the usefulness of a quarterly match with the “new hires” file from OCSE.

In another effort to achieve more timely and accurate reporting of wages, SSA has completed a test to determine the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA has 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 will be the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. The results of this test will soon be available for the Agency to decide on whether to proceed with implementing wage reporting using touch-tone and voice recognition telephone technology. Timely and accurate reporting on this issue offers the opportunity to prevent substantial amounts of SSI wage overpayments, which accounted for over \$480 million in overpayment deficiencies in FY 2003.

For the last 5 years, financial accounts, along with wages, have represented the two leading causes of preventable SSI overpayments. For FY 2003, financial account overpayment deficiencies accounted for almost 19 percent of all overpayment deficiencies. These errors are usually the result of the recipient's financial account, either singularly or in combination with other resources, causing the resource limit to be exceeded. When this occurs, the recipient may become ineligible for SSI. For FY 2003, the recipients' failure to advise SSA that their resources were over the resource limit is responsible for over 94 percent of the deficiency dollars in this category. The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients 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 FY 2004, SSA promulgated final regulations that allow us to query financial institutions electronically and is currently conducting a proof of concept to evaluate establishing an interface for matching SSI recipient records with financial institution records to reduce the incidence of this deficiency which accounted for \$453 million in overpayment deficiencies in FY 2003.

For FY 2003, 58 percent of all underpayment deficiencies were caused by recipient failure to report: 1) a decrease in wages; 2) a change in-kind support and maintenance (ISM) due, most often, to a change in the household composition in the recipient's contribution; and 3) a living arrangements (LA) change where the recipient began “living in their own household.” .

Almost 26 percent of all FY 2003 underpayments were due to wages (which were previously discussed, above, for overpayments). Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

ISM deficiencies accounted for over 17 percent of all underpayment deficiencies for FY 2003. The major factor accounting for these deficiencies is a change in the recipient's contribution to household expenses, which are mostly due to a change in the household composition that was not reported to SSA.

LA deficiencies accounted for over 15 percent of all underpayment deficiencies for FY 2003. Most LA deficiencies were due to the recipient not reporting that their living arrangement has changed to one where they are living in their own household. This is a complex area where recipient understanding of reporting requirements is very difficult to

address. For this reason, a portion of the annual redetermination workload is targeted to addressing improper underpayments due to living arrangement changes.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. To detect incorrect payments, SSA regularly reviews cases to ensure that the nondisability factors of eligibility continue to be met and payment amounts are correct. The selection process is based on the likelihood that a case will be in error. Since 1997, SSA has initiated several actions that increased estimated overpayments found or prevented because of the "High Error Profile" (HEP) redeterminations by increasing the volume of HEPs and the effectiveness of the profiling system. The total overpayments collected or prevented because of the FY 2003 redetermination and limited-issue cases was almost \$2.7 billion, with an additional \$1.53 billion in underpayments paid or prevented. This compares to the \$2.3 billion in total overpayments collected or prevented and the \$1.6 billion in underpayments paid or prevented as a result of the FY 2002 redetermination and limited-issue cases.

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 actual allowance and denial accuracy rates for FYs 2002 and 2003 are presented in Table 6. These rates are determined by SSA's quality assurance review of initial claims. In compliance with Section 221(a) of the Social Security Act, SSA reviews samples from each State to determine whether the DDS is in compliance with Federal policy and procedural requirements. 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 FYs 2003 and 2004 is 97 percent. FY 2004 data will be available in January 2005.

Table 3: DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2002	FY 2003
Allowance	98.5%	98.3%
Denial	95.1%	94.7%
Combined	96.4%	96.1%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations (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 2003, the Actuary has produced estimates that PER saved the trust funds \$502 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 12:1.

SSA's budget includes a proposal to extend PER reviews of favorable adult disability decisions to the SSI program. This proposal 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 2003 administrative payments to determine if they were susceptible to significant improper payments. In FY 2003, SSA outlayed \$8,607 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 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 2003 Administrative Expenses (\$ in millions)	
Payroll and Benefits	\$4,454
State DDS	\$1,646
Other Administrative Expenses*	\$2,507
Total Administrative Payments	\$8,607
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, 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 3 above. 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 Fiscal Year 2002 added a new 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 contracted with

PRG Shultz, a recovery auditing firm, through an Interagency Agreement with the Department of the Treasury. The purpose of this contract is to validate the existing internal SSA review of contractor administrative payments. The recovery audit conducted by PRG Shultz is a second independent review.

Program Scope

The recovery audit program scope includes a review of administrative contractor payments from FY 2001 through FY 2004. A payment amount of 20 percent of recovered funds is contingent upon the collection of recovered funds and a nominal administrative fee of .2 percent paid to the Department of the Treasury.

Table 5: Administrative Contractor Payments (\$ in millions)	
FY 2001	\$832
FY 2002	\$736
FY 2003	\$896
FY 2004	\$882

The Agency has elected to exclude the following minimal 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 a 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.

In January 2004, the recovery auditor began an initial review of the Agency’s administrative contractor payment process and internal control structure and will use proprietary algorithms to review data from FY’s 2001 through 2004. After this review of the data, any irregular payment activity will be audited in more detail and appropriate recovery activity will be employed.

Preliminary management reports from PRG Schultz do not indicate any significant recovery auditing activity. Of the \$3.3 billion payments reviewed by the recovery auditor, only .0006 percent or about \$20,000 has been identified as improper and collected. Of the \$20,000 recovered, almost \$4,000 will be paid to the Department of the Treasury through an Interagency Agreement with PRG Schultz. The identified improper payments were duplicate payments; therefore, internal procedures have been reviewed and corrective actions have been developed to strengthen existing internal controls. The vendor will conclude their review in December 2004. The audit process will continue with recovery reports and recommended improvements provided through the end of calendar year 2004.

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. The plan is updated monthly and progress is monitored at 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 to meet the 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. 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 Capital (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.

FY 2005 IT Strategy

Starting in FY 2005, the "clusters" of IT projects will be 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) Preventing fraudulent and erroneous payments and improving debt management and 2) Efficiently managing finances. Provided the Agency develops the IT initiatives identified to improve preventing, detecting and collecting improper payments, SSA can achieve its goal to have 96 percent SSI payment accuracy by FY 2008.

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, SSA will be asking Congress to consider amendments to the OASI, DI and SSI programs in support of the President's FY 2005 budget. Of the proposals in the draft "Social Security Amendments of 2004", three would improve the integrity of the programs and provide SSA with additional tools to prevent improper payments.

1. One provision in the draft bill would improve SSA coordination with other government entities to provide SSA with the information needed to better administer the "windfall elimination" (WEP) and "government pension offset" (GPO) provisions. The ability to better identify persons who are receiving pensions based on noncovered employment would improve SSA's ability to accurately administer the WEP and GPO provisions and eliminate improper payments now paid to individuals who do not identify themselves as receiving such pensions.
2. A second budget provision in the draft bill would provide SSA with a process to obtain verified death data within 5 days of a person's death and within 24 hours of receipt of reports in the States' bureaus of vital statistics. SSA uses death data to terminate benefits where necessary and to pay beneficiaries entitled to death-related benefits. More timely and accurate death reports through the electronic death registration process, would result in \$40 million in savings in the OASDI and SSI programs in the first year, and almost \$100 million over 10 years. The electronic death registration process would also provide more timely and accurate death reports to other State and Federal agencies with whom SSA is required by law to share.

3. The final program integrity provision in the draft bill would require SSA to conduct SSI pre-effectuation reviews in 50 percent of disability allowances of adult cases in order to ensure accurate SSI disability determinations. This provision would yield SSI estimated savings over 10 years of \$480 million and additional significant savings in the Medicaid program. The savings in both programs total nearly \$1.4 billion. By the tenth year after enactment, the pre-effectuation reviews would have identified and prevented improper payments in an estimated 25,000 incorrect SSI disability and blindness determinations.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2004, SSA collected \$1,854.1million in program debt. Generally, SSA has two types of debt, which are determined by entitlement status:

1. Current pay debt, owed by individuals who continue to receive benefits and
2. Nonpay debt, owed by those who are no longer on the benefit rolls.

SSA's collection process depends mainly upon the entitlement status of the debtor. When the debtor is on the benefit rolls, SSA's initial overpayment letter informs the individual that if full repayment is not made recovery will be accomplished through offset of future benefits. This recovery begins after the initial 60-day due process period has expired and the debt has not been repaid. In the OASDI program we offset benefits in full unless the person can demonstrate a financial need to receive partial benefits each month. In the SSI program, we recover at the statutory rate of 10 percent of benefits, or a reduced rate if the debtor requests and qualifies for one based upon financial hardship.

When the debtor is no longer on the benefit rolls, SSA first attempts to collect the overpayment on its own. SSA sends an initial overpayment letter requesting payment in full or by regular installments. If no payment has been received, SSA uses its own billing and follow-up system to send a series of progressively stronger follow-up notices, then has debt collectors attempt personal contact to establish a repayment agreement. At any time during this process that the individual contacts SSA to establish a repayment arrangement, SSA's debt collectors negotiate an arrangement with the individual and set up the account for monthly billing. If the individual misses any of the monthly payments, a follow-up process is set in motion.

When a debt becomes "Past-Due" it is considered for referral to the Treasury Department for offset under the Treasury Offset Program (TOP) as well as for referral to credit bureaus. These referrals are preceded by statutorily required notices warning the debtor of our plans to make the referrals and providing him or her opportunity to avoid the referrals by repaying the debt or establishing a repayment arrangement. The notice also advises the individual of applicable due process rights.

When SSA's debt collectors determine that the debt will not be collected, either because the debtor cannot be located or because further recovery efforts are determined not to be cost effective, the debt is written-off. Written-off debt is still eligible for further benefit offset should the individual return to the benefit rolls. For FY 2004, debt written-off due to termination of collection efforts was \$477.3 million or 4.0 percent of the \$11,925.2 million in debt available for collection. Where applicable, written-off debt remains at Treasury for offset until the delinquency reaches 10 years. We continue to report to the credit bureaus on the delinquency until it is 7 years old. The statutes governing administrative offset preclude its use on debts delinquent more than 10 years, while those governing credit bureau reporting set a limit of 7 years.

In addition to using TOP and credit bureau reporting for delinquent OASDI and SSI debts, SSA has developed and implemented mandatory cross-program recovery. Mandatory cross-program recovery enables SSA to collect an SSI debt owed by a former recipient from any OASDI benefits being paid to that person. The Social Security Protection Act of 2004 expanded the authority for cross-program recovery and covers benefits under OASDI, SSI and Special Veterans benefits. This law gives SSA the authority to recover an overpayment in any of the three programs from benefits payable from any of the three programs. SSA will integrate the use of Administrative Wage Garnishment, Federal salary offset, cross-servicing and interest charging in its collection process. For more information, see the section entitled Debt Management located in Other Statutory Information.

Glossary of Acronyms

A

AC	Appeals Council
ACSI	American Customer Satisfaction Index
AET	Annual Earnings Test
AGA	Association of Government Accountants
AICPA	American Institute of Certified Public Accountants
AIME	Average Indexed Monthly Earnings
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASP	Agency Strategic Plan
AWIC	Area Work Incentives Coordinator

B

BL	Black Lung
BPAO	Benefits Planning, Assistance and Outreach

C

CAS	Cost Analysis System
CCNS	Call Center Network Solution
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CDR ODS	Continuing Disability Review Operational Data Store
CEAR	Certificate of Excellence in Accountability Reporting
CIO	Chief Information Officer
CMP	Civil Monetary Penalty
CMS	Centers for Medicare and Medicaid Services
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPIC	Capital Planning and Investment Capital
CPI-W	Consumer Price Index – Urban Wage Earners and Clerical Workers
CPMS	Case Processing and Management System
CSRS	Civil Service Retirement System

D

DDS	Disability Determination Service
DI	Disability Insurance
DMS	Debt Management System
DOC	Data Operations Center

DOL	Department of Labor
DOS	Department of State
E	
EAB	Enumeration-at-Birth
eDIB	Electronic Disability
EDR	Electronic Death Reporting
EDW	Earnings Data Warehouse
EIC	Executive Internal Control
EN	Employment Networks
EPE	Extended Period of Eligibility
EPOXY	Earnings Posted Overall Cross Total/Year-to-Date System
ESF	Earnings Suspense File
ESO	Employer Services Online
F	
FAQ	Frequently Asked Questions
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FedCIRC	Federal Computer Incident Response Center
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FWTP	Future Workplace Transition Plan
FY	Fiscal Year
G	
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
GSA	General Services Administration
H	
HAVA	Help America Vote Act
HCP	Human Capital Planning
HEP	High Error Profile
HHS	Health and Human Services
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

HO	Hearings Office
I	
IG	Inspector General
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
ISBA	Internet Social Security Benefit Application
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board
IVT	Interactive Video Training
IWMS	Integrated Work Measurement System
K	
KPI	Key Performance Indicator
L	
LA	Living Arrangements
LAE	Limitation on Administrative Expenses
M	
MBR	Master Beneficiary Record
MCAS	Managerial Cost Accountability System
MD&A	Management's Discussion and Analysis
MI	Management Information
MIICR	Management Information Initial Claims Record
MS	Military Service
MSPB	Merit Systems Protection Board
N	
NRA	Normal Retirement Age
O	
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCO	Office of Central Operations
OCSE	Office of Child Support Enforcement
OEO	Office of Earnings Operations
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OQA	Office of Quality Assurance
OTR	On-The-Record

P

P&F	Program and Financing
PABSS	Protection and Advocacy for Beneficiaries of Social Security
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PEODS	Posteligibility Operational Data Store
PER	Proposal to Extend Reviews
PMA	President's Management Agenda
POMS	Program Operations Manual System
PP&E	Property, Plant and Equipment
PPWY	Processed Per Workyear
PSC	Program Service Center
PTF	Payments to the Trust Funds
PUMS	Public Understanding Measurement System
PwC	PricewaterhouseCoopers LLP

Q

QA	Quality Assurance
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R

RO	Regional Office
ROAR	Recovery of Overpayments, Accounting and Reporting System
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSDI	Retirement, Survivor, Disability Insurance
RSI	Retirement and Survivors Insurance

S

SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSAMIS	Social Security Administration Management Information Systems
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSPA	Social Security Protection Act of 2004

SSPP	Standardized Security Profile Project
SSR	Supplemental Security Record
SUMS	Social Security Unified Measurement System
SWA	State Workforce Agency

T

TAR	Targeted Assessment Reviews
Title II	Social Security
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
TSR	Teleservice Center Representative
TWP	Trial Work Period
TY	Tax Year

U

USC	United States Code
USCIS	United States Citizenship and Immigration Services

V

VTC	Video Teleconference
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W

W-2s	Employee Wage Reports
W-2C	Online Internet filing by small employers
WC	Workers' Compensation
WEP	Windfall Elimination

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