

A Message from the Commissioner

2005 has been a memorable year for the Social Security Administration. The Agency celebrated its 70th anniversary in August. Created in 1935, the program has helped literally millions of Americans - often at the most vulnerable times in their lives. Over the past 70 years, Social Security has become a mainstay of American life and for most Americans, it is the nearest and most familiar representative of the Federal government. The Social Security programs provide a base of economic stability for retirees and disabled workers and their families and for the survivors of deceased workers. The Agency also makes Supplemental Security Income (SSI) payments to the Nation's most financially vulnerable citizens. At Social Security, we understand that every payment, every application, every Social Security number represents a person - someone whose life will be affected by the work we do and how well we do it.



As we reflect on the history and accomplishments of the Social Security Administration over the last seven decades, I believe it is important to face the future by building on our achievements while also facing our challenges. I am pleased to present the Social Security Administration's Fiscal Year (FY) 2005 Performance and Accountability Report (PAR), which provides valuable insight into our performance and what we are doing to serve the public.

Our 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**, is the core of our foundation. Our strategic goals - *Service, Stewardship, Solvency* and *Staff* - are planned with this mission in mind and provide the framework for our efforts. The ongoing dedication of the Agency's leadership and workforce has resulted in advancement toward reaching the Agency's four strategic goals.

To deliver high-quality, citizen centered service. Social Security is committed to providing the type of service that the American people expect and, more importantly, deserve. We have made good on our promise to implement an electronic disability claims process and I have announced for public comment a proposed new disability process that will further streamline the appeals process. Improving technology affects the way the Agency delivers service by phone and in person and Social Security has more than tripled the number of transactions that it processes over the Internet. The Agency has consistently been rated as one of the top Federal agencies in providing service to the public. Social Security's ability to respond swiftly, effectively and compassionately when delivering services to beneficiaries was recently evidenced in the aftermath of Hurricanes Katrina and Rita. The emergency procedures plan that was quickly and successfully initiated ensured that thousands of beneficiaries who were adversely affected by the devastation in the disaster areas continued to receive their monthly payments and other essential services at a time when they needed them the most.

To ensure superior stewardship of Social Security programs and resources. Social Security is recognized as a leader for sound and excellent financial management and our well-deserved reputation is one we take seriously and vow to continue. The Agency has again received an unqualified opinion with no reported material weaknesses in internal controls or noncompliance with laws and regulations on its consolidated financial statements from the independent auditors. We are especially proud that based upon the accomplishments of Social Security employees, our auditors have removed the only reportable condition reported in the FY 2004 audit report which was related to protection of data. Social Security has received an unqualified opinion on its financial statements since 1994. For the FY 2004 PAR, the Agency was also awarded its seventh Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. Social Security holds the distinction of being the only Federal agency to receive this honor each year since the award program began.

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 SSI program from its high-risk list in FY 2003, we are continuing our efforts to improve our management of this program 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 \$375 million of error prevented. Improving the financial integrity and management of all the Social Security programs we administer is an Agency priority. The Agency is unwavering in our 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.

To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations. Our job at Social Security is to educate the American public about the programs and finances of Social Security as well as to serve as a resource within the Administration and for Congress and other interested groups. The Agency maintains in-house capacity of policy, actuarial and legislative expertise to respond to questions about the fiscal, distributional and administrative aspects of Social Security programs. Annual Social Security Statements are sent to workers over the age 25, providing valuable information about Social Security financial issues and enabling the readers to better plan for their financial future.

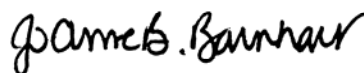
To strategically manage and align staff to support our mission. Social Security's employees take pride in administering America's most important domestic government program, knowing that they provide service to individuals at critical junctures in their lives - whether at the onset of unexpected disability, the untimely loss of a spouse or parent or making the transition from work to retirement. The Agency, through its training, development, recruitment, succession and retention programs and initiatives, is enabling Social Security's employees to attain the goal of aligning our resources to best serve the public.

In addition, Social Security has displayed its continuing resolve to adhere to other key management initiatives:

President's Management Agenda. Social Security continues to embrace the President's Management Agenda initiatives as ongoing management practices. We are committed to achieving immediate, concrete and measurable results that benefit the public by maximizing our service to program beneficiaries and recipients, by being effective stewards of the taxpayers' money and by operating as efficiently as possible. Social Security has maintained a green score - the highest rating possible - for its overall, current status and progress in Improved Financial Performance, Budget and Performance Integration, and Strategic Management of Human Capital, and we are proud of our "green" progress in Expanding Electronic Government, Competitive Sourcing and Eliminating Improper Payments.

Performance and Financial Data. We are committed to providing data that is complete and reliable to those who use it for decisionmaking. 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 identified no material internal control weaknesses and this report describes our continuing efforts to provide timely and useful performance information to Social Security managers, OMB and Congress. Social Security conducted training with key individuals involved in the performance data process to ensure their understanding of the documentation requirements. These efforts have resulted in improved documentation of the policies and procedures for performance measures. In addition, we have tightened access controls to our programmatic systems through the implementation of the Standardized Security Profile Project.

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.



Jo Anne B. Barnhart
November 9, 2005



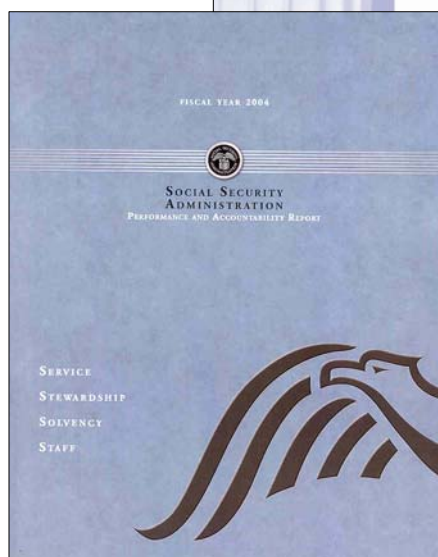
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Executive Director, AGA

Table of Contents

1	A MESSAGE FROM THE COMMISSIONER
7	MANAGEMENT’S DISCUSSION AND ANALYSIS
8	Overview of the Social Security Administration
8	Mission
8	The Social Security Programs and How They Benefit the Public
12	Workloads
13	Agency Organization
15	Overview of Key Performance Indicators, Goals and Results
15	FY 2005 Overview of Performance
19	Performance Factors
20	Data Quality
23	Agency Challenges
24	Agency Challenges by Strategic Goal
46	The President’s Management Agenda
48	Highlights of Financial Position
48	Overview of Financial Data
50	Trust Fund Solvency
51	Limitation on Financial Statements
52	Systems and Controls
52	Federal Managers’ Financial Integrity Act
53	Financial Statement Audit
54	Federal Financial Management Improvement Act
54	Federal Information Security Management Act
54	Financial Management
56	Improper Payments Information Act of 2002
59	PERFORMANCE SECTION
60	Agency Performance
60	Summary of FY 2005 Performance
67	Individual Performance Measure Results
107	Program Evaluation

113	FINANCIAL SECTION
114	A Message from the Chief Financial Officer
115	Financial Statements and Additional Information
116	Consolidated Balance Sheets
117	Consolidated Statements of Net Cost
118	Consolidated Statements of Changes in Net Position
119	Combined Statements of Budgetary Resources
120	Consolidated Statements of Financing
121	Notes to the Principal Financial Statements
136	Other Accompanying Information: Balance Sheet by Major Program
137	Other Accompanying Information: Schedule of Net Cost
138	Other Accompanying Information: Schedule of Changes in Net Position
140	Other Accompanying Information: Schedule of Financing
141	Required Supplementary Information: Schedule of Budgetary Resources
142	Required Supplementary Information: Intragovernmental Amounts
143	Required Supplementary Stewardship Information: Social Insurance
163	Auditor's Reports
170	Inspector General Statement on SSA's Major Management Challenges
184	Other Statutory Information
184	Anti-Fraud Activities
186	Biennial Review of User Fee Charges
187	Debt Management
191	APPENDIX
192	Improper Payments Information Act of 2002 Detailed Report
205	Glossary of Acronyms
210	SSA Management and Board Members

SSA's FY 2005 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 Overview of the Social Security Administration (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.

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in the Strategic Plan. In March 2005, the Agency provided Congress with its FY 2006 Annual Performance Plan (APP) and Revised Final FY 2005 APP, which brought the Agency's strategic goals, objectives and performance measures in line with the Strategic Plan. The Overview of Key Performance Indicators, Goals and Results section provides the Agency's progress in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2005, SSA used 42 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 42 performance measures, 14 were selected as Key Performance Indicators, which the Agency believes best tell the story of its efforts to address the most critical challenges. These Key Performance Indicators are discussed in general terms and indicate whether the performance targets for FY 2005 were met. All of the FY 2005 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the Performance Section.

The 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, found in the Agency Challenges section, are based on the Major Management Challenges currently designated by the Government Accountability Office and SSA's Office of the Inspector General. The challenges are aligned with the four strategic goals outlined in the Agency Strategic Plan.

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.

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. A summary of our progress in reducing improper payments is also included.

Management's

Discussion and

Analysis

Overview of the Social Security Administration

Mission

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

The Social Security Programs and How They Benefit the Public

Few government agencies touch the lives of as many people as the Social Security Administration (SSA). There are about 53 million individuals—one in six of the total population—who receive monthly Social Security or Supplemental Security Income (SSI) benefit payments. 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 individuals receiving Old-Age, Survivors, and Disability Insurance (OASDI), SSI programs and the combined programs. Over the ten year period from the beginning of October 1996 through the end of September 2005, the number of Old-Age and Survivors Insurance (OASI) beneficiaries has grown by 6 percent, Disability Insurance (DI) by 37 percent and SSI by 10 percent.

Number of Beneficiaries as of September 30 th of Each Year (In Millions)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OASI	37.6	37.8	37.9	38.0	38.7	38.9	39.2	39.4	39.6	40.0
DI	6.0	6.1	6.3	6.5	6.6	6.8	7.1	7.5	7.8	8.2
SSI and OASDI	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
SSI only	4.2	4.2	4.2	4.2	4.2	4.3	4.4	4.4	4.6	4.6
Total ¹	47.8	48.1	48.4	48.7	49.5	50.0	50.7	51.3	52.0	52.8

Source: Social Security Administration's Master Beneficiary Record and Supplemental Security Record

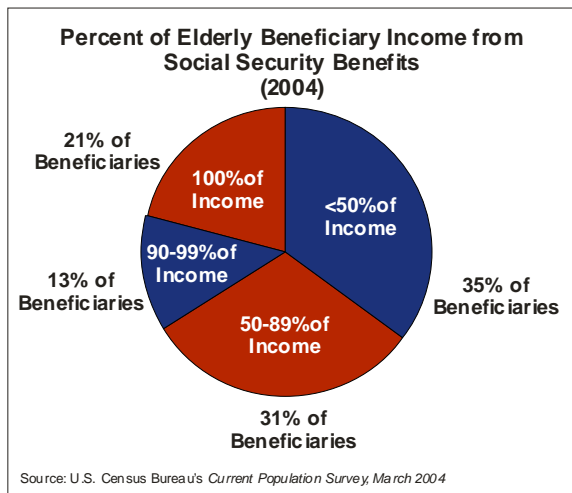
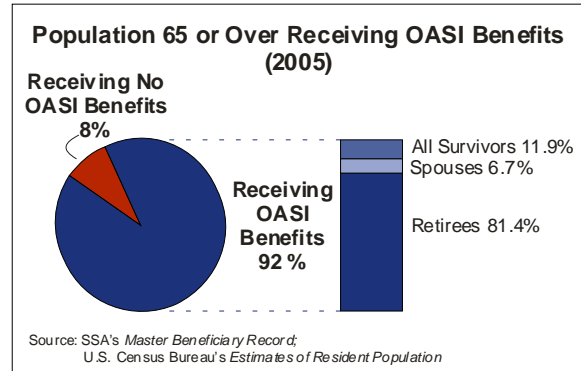
¹Sum of OASI, DI, and SSI only

The combined OASDI programs 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 persons. Social Security benefits are 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 programs is based on the individual's taxable earnings during his or her lifetime. The maximum amount

of earnings on which contributions were payable in 2004 was \$87,900, increased to \$90,000 in 2005, and will increase to \$94,200 in 2006.

Old-Age and Survivors Insurance (OASI) Program:

This 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 or her lifetime, with the exception of those individuals born before 1929 who need fewer credits to qualify. 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.

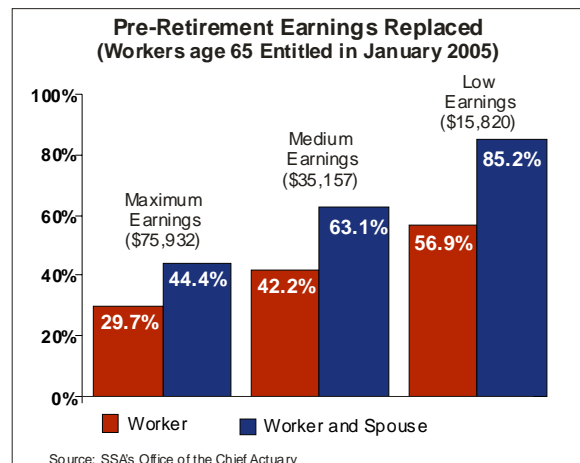


About 97 percent of persons aged 20-49 who worked in Social Security-covered employment in 2004 have acquired survivorship protection for their children under age 18 and surviving spouses caring for children under age 16. For persons age 65 or over in calendar year 2004, as shown in the chart, *Population 65 or Over Receiving OASI Benefits*, 92 percent were receiving benefits. Retired workers account for the largest category of beneficiaries over age 65. In 2004, Social Security benefits comprised 39 percent of the aggregate share of all income to individuals and married couples 65 and over. Other sources of income include assets (12 percent), earnings (26 percent), and pensions (19 percent) both Government and private.

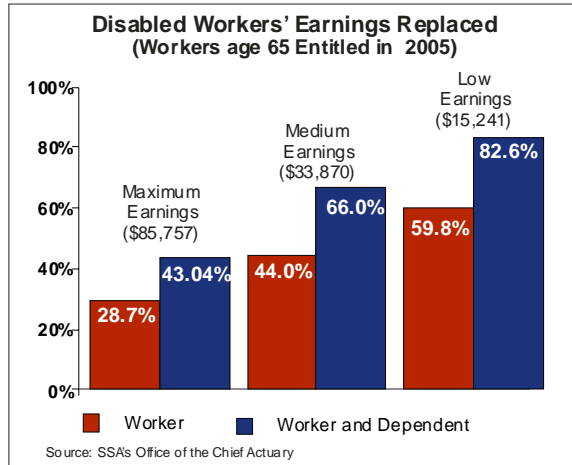
As shown in the chart, *Percent of Beneficiary Income from Social Security Benefits*, while many of the Nation’s

beneficiary individuals and married couples aged 65 and older in 2004 have income from other sources, a portion of the beneficiary population relies heavily on Social Security benefits. Social Security benefits comprise 90 to 100 percent of total income for one-third of the elderly beneficiaries; and for almost two-thirds of the elderly beneficiaries, it is their major income source (50 – 100 percent of their income).

The chart, *Pre-Retirement Earnings Replaced*, shows the earnings replacement rate in 2005 for individuals and couples (i.e., worker with a spouse age 62 or older who is not insured) at various earnings levels. These levels represent average earnings over the worker’s career, which are wage-indexed through 2004. The level of pre-retirement (career-average) earnings replaced by Social Security benefits for a worker retiring at full retirement age varies because the benefit formula is progressive. It is weighted in favor of workers who have lower earnings since they have less opportunity to save and invest during their working years.



Disability Insurance (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 people age 21 through 64 who worked in Social Security-covered employment in 2003 will receive benefits if they become disabled and meet other factors of entitlement. Workers are considered disabled if SSA determines that they have a 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 expect 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, Social Security offers programs that provide incentives for people who want to work, would like to try to work, or who return to work. SSA also conducts periodic continuing disability reviews to determine whether beneficiaries are still disabled.

The chart, *Disabled Workers' Earnings Replaced*, shows the earnings replacement rate in 2005 for disabled workers and their dependents at various earnings levels. These levels represent average earnings over the worker's career, wage-indexed through 2004.

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

Medium ¹ Earnings Replaced Historical Perspective						
	1955	1965	1975	1985	1995	2005
Disabled Worker ²	NA	33.9%	44.2%	43.0%	44.2%	44.0%
Retired Worker	29.0%	28.6%	40.5%	41.5%	43.2%	42.2%

Source: Social Security Administration, Office of Chief Actuary

¹ 'Medium' earnings refer to career-average earnings at about 100 percent of the national average wage index.

² Based on a 45-year-old disabled worker. Data is not available for disability benefit payments for 1955 since the program began in 1957.

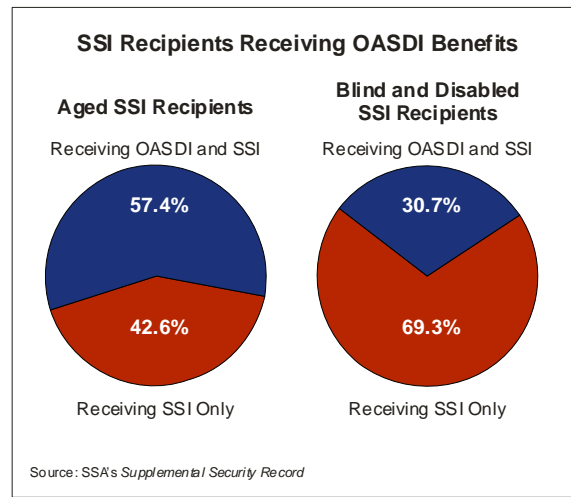
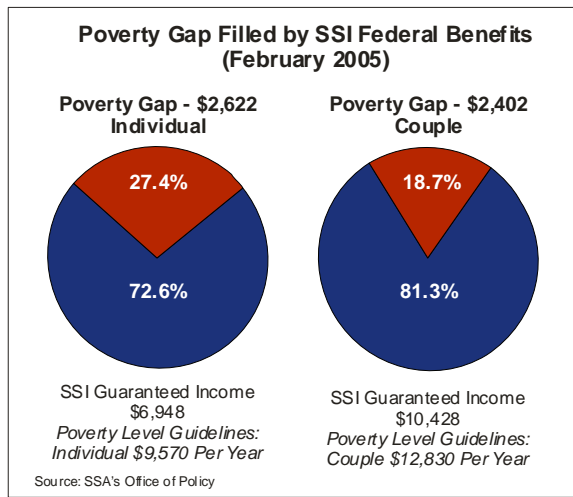
Supplemental Security Income (SSI) Program: SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security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

The definition of disability for adults used in the SSI program, as well as continuing disability review procedures, is 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 recipients who are disabled or blind. The Federal benefit rate and eligibility requirements are uniform nationwide; however, most States provide a supplement to the Federal SSI benefit.

The chart, *Poverty Gap Filled by SSI Federal Benefits*, shows that SSI recipients with little or no income may receive the full SSI Federal benefit, which is 72.6 percent of the Federal poverty level for an individual and 81.3 percent for a couple.

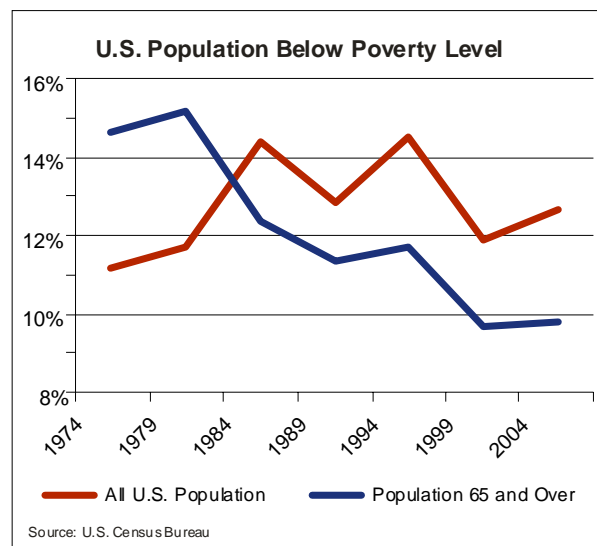
The portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplemental payments. Also, SSI recipients may be eligible for food stamps, Medicaid, low income housing and other social services.

In September 2005, 35.3 percent of all SSI recipients also received Social Security benefits. Most recipients did not have any other income. For 3.9 percent of the recipients, earnings were a source of additional income. As illustrated in the chart, *SSI Recipients Receiving OASDI Benefits*, more aged recipients (57.4 percent) receive Social Security benefits than blind and disabled recipients (30.7 percent).



Social Security's Effect on the American Public: Social Security touches the lives of virtually every person in America. Whether after the loss of a loved one, at the onset of disability, or during the transition from the workforce to retirement, Social Security programs and employees are available to offer support to the people of this country. Widely considered the Nation's most successful domestic Federal program, Social Security provides a basic level of protection to all covered workers based on their past earnings. SSI provides a backup for the Social Security program by guaranteeing a minimum level of income to needy aged and disabled adults and children.

It is clear that Social Security and SSI benefits have had a significant role in the improved economic security of the nation's people. Poverty among elderly has been reduced by 33 percent over the past 30 years, decreasing from 14.6 percent in 1974 to 9.8 percent in 2004. Poverty rates of the elderly are expected to decline further in the future because earnings, on which Social Security benefits and pensions are based, tend to increase more rapidly than the poverty thresholds, which are indexed to price growth. 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 the elderly and millions more who are protected in case of disability or death.



The portion of the population with enough work credits to be qualified for Social Security benefits has grown steadily over the years. The percentage of people aged 20 and over

with enough work credits to qualify for Social Security benefits increased from 77 percent in 1970 to 87 percent in 2005. Although men are more likely than women to have sufficient credits, the gender gap is shrinking. The proportion of men with enough work credits to qualify for Social Security benefits has remained essentially stable at 92 percent. By contrast, the proportion of women with enough covered work has increased from 63 percent in 1970 to 84 percent today.

As shown in the chart on the previous page, *U.S. Population Below Poverty Level*, the percentage of the population age 65 and over in the United States who live below the Federal poverty level has been consistently lower than that of the general population since the 1980s. In 2004, the poverty rate of the elderly was 9.8 percent compared with 12.7 percent for the total population.

Rates of poverty and program coverage provide an indication of how Social Security and SSI benefits are improving the lives of the Nation's people. However, the Agency's programs are not the only factors that affect the economic status of the aged and survivor populations and persons with disabilities. Savings, investments, other public and private retirement plans, medical coverage, other Government Programs, 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 the Agency, but only by Congress.

As discussions continue on how best to strengthen the Social Security programs for the future, the Agency's goal is to ensure that the public has the information needed to understand the issue. SSA provides information to educate the public about the financing challenges facing the Social Security programs. SSA has conducted numerous analyses related to fiscal distributional and administrative aspects of Social Security programs for the Administration and Congress.

Workloads

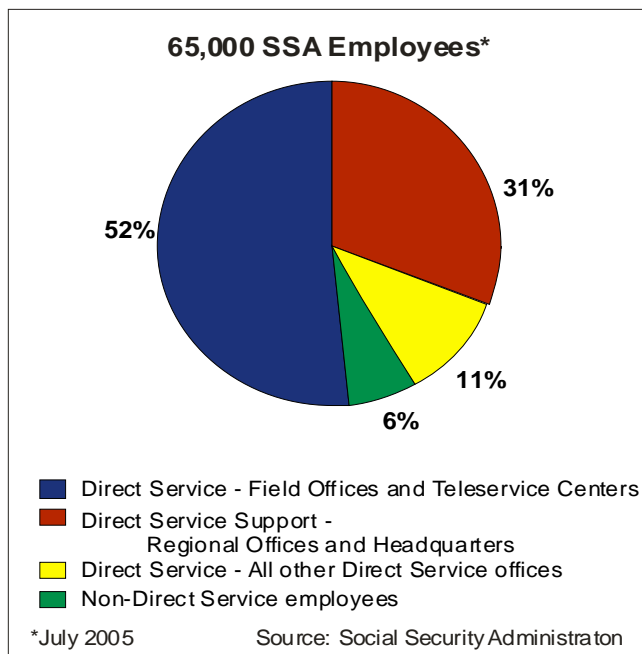
In FY 2005, as in prior years, the largest use of SSA's administrative resources went to processing its priority workloads. These workloads included:

- Paying benefits to almost 53 million people every month.
- Evaluating evidence, and making determinations of eligibility for benefits on more than 8 million new claims.
- Making decisions on over 1.6 million hearings and appellate actions.
- Issuing over 17 million new and replacement Social Security cards.
- Processing 257 million earnings items for crediting to workers' earnings records.
- Handling approximately 56 million calls to SSA's 800-number.
- Issuing over 143 million *Social Security Statements*.
- Processing over 1.5 million periodic continuing disability reviews.
- Processing over 1.7 million non-disability SSI redeterminations to ensure that SSI eligibility is still met.

Agency Organization

SSA has been the primary face of the Federal Government, and overall the public views the Agency's performance and service favorably. The Nation's citizens expect SSA's employees to be respectful, responsive, and reliable. SSA has ranked among the premier agencies in Government service for over 70 years as the Federal agency charged with managing and delivering these important programs for many people and in many communities across the country.

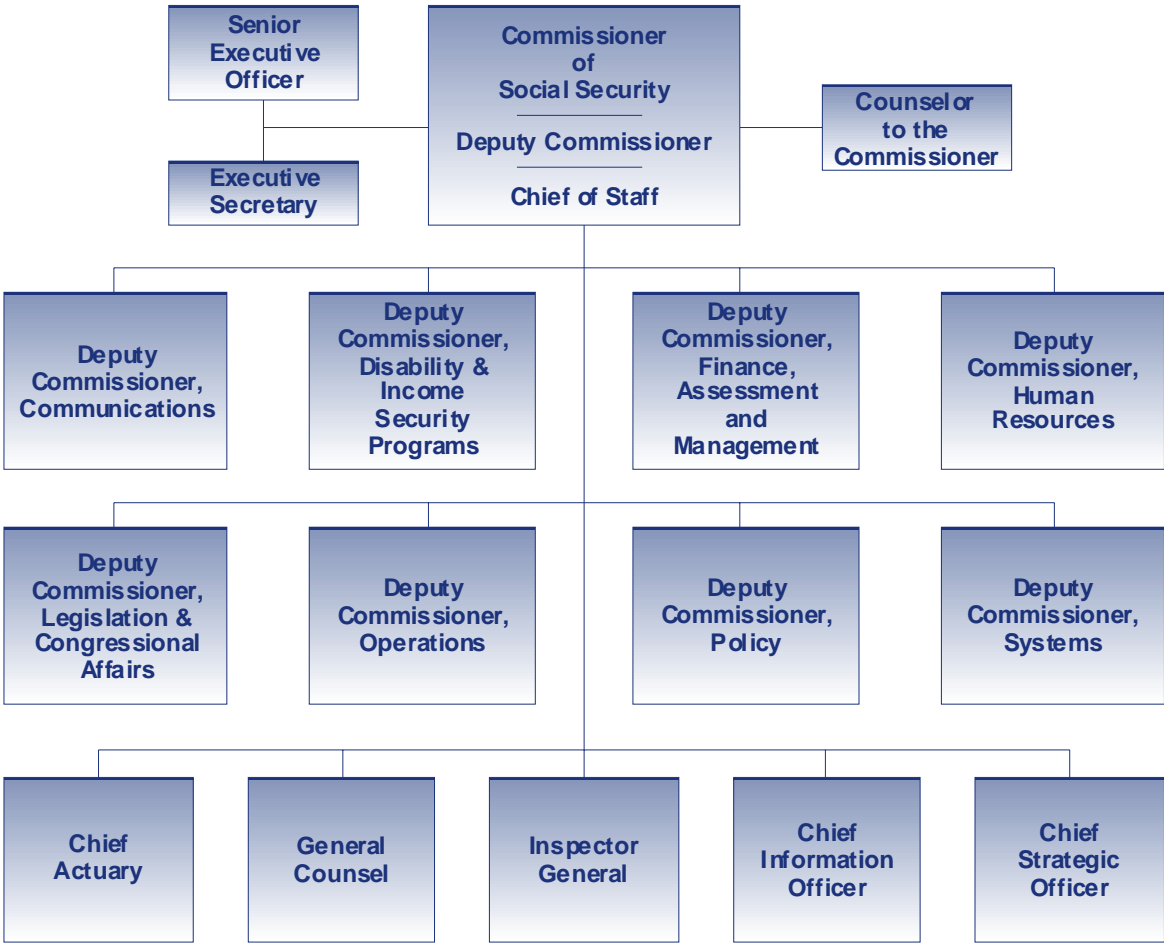
SSA's organization is centrally managed with a nationwide network of over 1,500 offices, which includes Field Offices, Regional Offices, Teleservice (800-Number) Centers, Program Service Centers, Hearings Offices, and State Disability Determination Services. Individuals can also conduct business and obtain information via SSA's website (www.socialsecurity.gov). SSA's organizational structure is designed to provide timely, accurate and responsive service to the public. By integrating support services for all of its programs, SSA enhances efficiency, avoids duplication of effort, and increases opportunities to provide one-stop service to the public. SSA's Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service at 1-800-SSA-1213. The Program Service Centers process a wide variety of workloads, as well as answer 800-number calls. The Office of Central Operations, which includes the Data Operations Center, processes disability-related workloads, international and earnings operations, and also has an expanding role in answering 800-number calls. The Hearings Offices and Appeals Council make decisions on appeals of SSA determinations.



Approximately 61,000 of SSA's 65,000 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 34,000 employees in SSA's 1,332 Field Offices and 36 Teleservice Centers. They are also served by 20,100 employees in the Program Service Centers, the Office of Central Operations, the Hearings Offices, the Appeals Council, the Office of General Counsel, the Office of the Inspector General, the Office of Public Inquiries, and by staff providing direct service via the Internet. Another 6,800 employees in Regional Offices and Headquarters directly support the services delivered by Social Security's front-line workers. Additionally, the disability programs depend on the work of some 16,275 employees in State Disability Determination Services.

SSA's remaining employees in non-direct service 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 within SSA or at the Disability Determination Services, each and every employee in front-line and staff positions plays an important role in the success of Social Security programs.

Organization of the Social Security Administration



Overview of Key Performance Indicators, Goals and Results

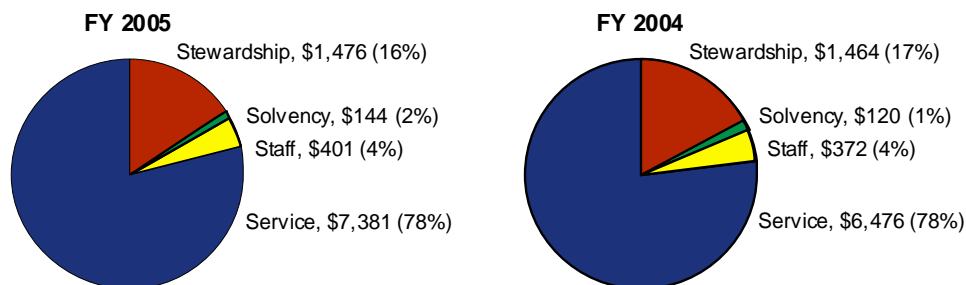
FY 2005 Overview of Performance

In early 2003, the Social Security Administration (SSA) published its *Agency Strategic Plan* for fiscal years (FY) 2003 through 2008. The Strategic Plan reflects the priorities and direction of SSA's Commissioner and the Administration, setting the Agency's course for achieving measurable results that improve American lives. The Plan's four strategic goals — **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF** — drive objectives and outcomes that help support the Agency's mission and provide the framework for allocating Agency resources. They articulate the challenge of giving the public the service they deserve; improving program integrity through financial stewardship; supporting reforms to ensure sustainable solvency for future generations; and maintaining the quality staff SSA needs to provide service and stewardship.

The following figures represent the portion of the Agency's FY 2005 operating expenses used in support of each goal:

1. To deliver high-quality, citizen-centered **SERVICE**—78 percent
2. To ensure superior **STEWARDSHIP** of Social Security programs and resources—16 percent
3. To achieve sustainable **SOLVENCY** and ensure Social Security programs meet the needs of current and future generations—2 percent
4. To strategically manage and align **STAFF** to support Social Security's mission—4 percent

Operating Expenses by Strategic Goal
(\$ millions)

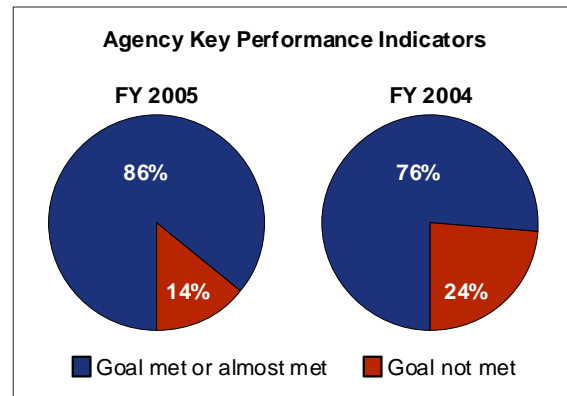


Every year SSA's *Annual Performance Plan* (APP), which is included in the Agency's performance budget, describes how SSA will strategically achieve better performance, accountability, effectiveness, and efficiency in a given FY. It specifies performance targets by which progress toward Agency goals and objectives can be measured. One purpose of this *FY 2005 Performance and Accountability Report* (PAR) is to document the Agency's accomplishments for each of the 42 *Government Performance and Results Act* (GPRA) performance measures specified in the APP's revised final plan for FY 2005.

Of the 42 GPRA performance measures, 14 have been designated as key performance indicators (KPIs). These 14 indicators, described on the following pages, were selected because they portray the Agency's efforts to address

the challenges it faces as the Federal agency with one of the largest budgets in Government. Also, performance data for these indicators is available immediately after the close of the FY. Having complete and accurate data for the KPIs is essential for SSA's Office of the Inspector General (OIG) to determine the reliability of the Agency's data. (See OIG's FY 2005 report in a later section of this PAR.)

In FY 2005, SSA met its performance goals for 10 of the 14 key performance indicators; almost met the goals for 2; and did not meet the goals for 2 indicators. The percentage of goals met or almost met for the KPIs comes to 86 percent. The Agency did not meet 2 of its goals, which represents 14 percent of the performance measures where actual data were available. This compares favorably to the Agency's FY 2004 performance in which it met or almost met 76 percent of its key performance indicator goals. The assessment category of *almost met* recognizes results that were very close—determined to be 95 percent of the goal or better. A list of all 42 performance measures and goals, also referred to as targets, can be found in the *Performance Section* of this report beginning on page 59. Historical information for each performance indicator, where applicable, is also shown, along with a narrative as to Agency performance for each measure.



The following tables list FY 2005 KPI achievements by the first three strategic goals—**SERVICE, STEWARDSHIP** and **SOLVENCY**. There is a later discussion of the **STAFF** goal, for which no key indicators were designated in FY 2005. Note that for goals stated in whole numbers, actual numbers have been rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those that are .4 or less. In instances where the goal is shown as a decimal, the actual number is also reported as a decimal.

Key:

- ↑ **Target met**
- ↗ **Target almost met (within 95 percent of the goal)**
- ↓ **Target not met**

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ¹
1.1a Number of initial disability claims processed by the Disability Determination Services (DDS)	2,677,000	2,617,231 ²	↗	67
1.1b Maintain the number of initial disability claims pending in the DDS (at or below the FY 2005/2006 goal)	592,000	560,529	↑	68
1.1c Number of SSA hearings processed	525,000	519,359 ³	↗	69

¹ More detailed information can be found in the *Performance Section* on the pages cited in the chart above.
² The volume of initial disability claims received was lower than anticipated and DDSs were unable to maintain previous levels of productivity due to the transition to electronic disability (eDib).
³ Resources were redirected to processing Medicare only hearings to expedite the transfer of that workload to CMS.

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

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ¹
1.1d Maintain the number of SSA hearings pending (at or below the FY 2005/2006 goal)	714,000	708,164	↑	69
1.1f Average processing time for initial disability claims	93 days	93 days	↑	71
1.1g Average processing time for hearings	442 days	415 days	↑	72
1.3d Increase the usage of electronic entitlement and supporting actions	120% growth (649,482)	471.1%	↑	81
1.3e Increase the percent of employee reports (W-2 forms) filed electronically	60%	66%	↑	82
1.3f Percent of individuals who do business with SSA rating the overall service as “excellent,” “very good,” or “good”	83%	85%	↑	83

SSA is committed to delivering the **SERVICE** the public expects, including a measure of economic security. The Agency’s service also includes consideration of accuracy, productivity, cost, timeliness and overall public satisfaction. Changes in demographics, medical and technological advances, and other related environmental factors have affected service delivery, particularly with respect to disability programs. The Agency is responsible for continually assessing its programs in the context of societal trends and looking for better, more efficient ways to meet the needs of current and future beneficiaries.

Each claim for benefits that is processed by SSA translates into a decision, and in turn a payment to a claimant or a notice of denial of benefits. Each transaction that SSA processes electronically translates into savings for both the Government in terms of time and money, as well as to a member of the public in terms of increased assurance that the individual has received accurate and timely service—whether it be a posting to an earnings record, a change of payment address, or the verification of a Social Security Number.

Among the nine KPIs related to the **SERVICE** goal, the Agency met/almost met all of the goals. The two that were almost met, *Number of initial disability claims processed by the Disability Determination Services*, and *Number of SSA hearings processed*, were not fully met because:

- The volume of initial disability claims received was lower than anticipated and DDSs were unable to maintain previous levels of productivity due to the transition to eDib; and
- Resources were redirected to processing Medicare only hearings to expedite the transfer of that workload to The Centers for Medicare & Medicaid Services (CMS).

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page# ⁴
2.1a Supplemental Security Income (SSI) non-disability redeterminations	1,696,000	1,724,875	↑	85
2.1b Periodic CDRs processed	1,384,000	1,515,477	↑	86
2.4b DDS cases processed per workyear (PPWY)	278	260 ⁵	↓	96
2.4g Get to “green” on four of the five President’s Management Agenda (PMA) initiatives	“Green” on four of five PMA initiatives	“Green” on three of five PMA initiatives	↓	100

Individuals who contribute to the Social Security program through payroll deductions and self-employment taxes, and pay income taxes that support the SSI program, need assurance that these dollars are properly managed. The individuals receiving benefits must be guaranteed their payments are accurate and received timely. Taxpayers deserve the assurance that benefits are not paid to ineligible individuals and that administrative dollars are spent in the most efficient manner.

Among the four KPIs related to the **STEWARDSHIP** goal, Social Security met two and did not meet two of the goals. The goal related to *DDS cases processed per workyear (PPWY)* was not met due to training, the learning curve and transition to new business processes with the implementation of the new electronic disability (eDib) claims process.

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

Key Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
3.1a Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	↑	102

The Nation’s population is growing older, with profound, long-term effects on the solvency of Social Security programs as provided for by current law. According to the Social Security’s Board of Trustees *2005 Annual Report*, the Comptroller General of the United States, and the Chairman of the Federal Reserve, Social Security is unsustainable over the long term at present payroll tax and scheduled benefit levels.

⁴ More detailed information can be found in the *Performance Section* on the pages cited in the chart above.

⁵ SSA was not able to meet this goal due to training, the learning curve and transition to new business processes with the implementation of the new eDib claims process. More detailed information can be found in the *Performance Section* on page 96.

Social Security has met the goal for this key performance indicator. The research and analysis that the Agency conducts on behalf of the Administration and Congress provides objective information needed to support or augment various proposals for reform.

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support Social Security's mission

Social Security's most critical asset in continuing to maintain a high level of service is the excellence of its workforce. While it is anticipated that more than a third of SSA's employees will be retiring in the coming years, with workloads expected to grow dramatically as the baby boom generation approaches their peak disability and retirement years, SSA continues to develop effective strategies to ensure that the Agency maintains a high performing workforce to deliver quality service. SSA strives to implement effective strategies that promote superior employee performance and encourage employee retention.

As mentioned previously, the **STAFF** performance indicator is not among the KPIs in FY 2005. This in no way reflects on the importance of the Agency's dedicated employees—the *key* enablers who support the overall Agency mission, goals and high public service standards.

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 2006 APP/Revised Final FY 2005 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

Performance Factors

President's Management Agenda (PMA): SSA made significant progress in FY 2005 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 46.

Program Assessment Rating Tool (PART): The PART is an Office of Management and Budget (OMB) developed diagnostic tool used to examine different aspects of program performance to identify the strengths and weaknesses of a given Federal program. The OMB selected the Disability Insurance 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 President's FY 2006 Budget.

By the end of 2004, SSA had evaluated 75 percent of its programs. SSA did not have any new programs evaluated in FY 2005. Refer to page 106 of the *Performance Section* for PART performance measure results.

Financial and Performance Integration: SSA has worked diligently to emphasize the relationship between resources and results. The programs in this area included 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. The 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. The Agency was able to show, each year through FY 2008, 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 budget activities reflect evaluation and feedback from the Congress, the Social Security Advisory Board, the Government Accountability Office (GAO), and SSA's 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 PMA 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 23, outlines these major challenges and the steps SSA has taken to address these issues.

Data Quality

Social Security is committed to providing clear, reliable data for managerial decision-making and oversight. SSA strives to ensure that its data is quantifiable and verifiable. Internal management controls are in place that reflect the insights and directives provided by the Agency's OIG and the 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 Social Security's vast data resources. The controls provide assurances that data in this PAR contain no material inadequacies, and further allow the Commissioner to certify that, with reasonable assurance, Social Security is in compliance with the provisions of the *Federal Managers' Financial Integrity Act of 1982*.

Social Security Data Integrity Systems and Controls: Performance data for the APP'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 of statistical validity—usually with a 95 percent confidence level.

The Agency's Office of Quality Assurance and Performance Assessment performs stewardship reviews and reports on the quality of the Old-Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. 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 beneficiaries that are based on monthly sample selections from Social Security records consisting of beneficiaries currently receiving benefits. For each sampled case, Social Security interviews the recipient or representative payee, makes other contacts as needed, and redevelops all non-medical factors of eligibility.

The Office of Quality Assurance (OQA) has initiated a newer evaluation process to provide more current and useable quality feedback on recently processed OASDI cases. This process also includes SSI claims and redeterminations. The process, known as *Transaction Accuracy Reviews*, focuses on field office and program service center quality. It relies on the case processing procedures as defined by the Agency's *Program Operations Manual System* instructions. When these instructions have not been followed and further development of the case is required, the OQA makes a personal contact with the claimant or representative payee to bring the issue in question into compliance with the instructions and to determine whether there is any effect on payments. 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 effect on payment. Quality feedback is provided to the office that processed the case. The review samples a total of about 20,000 cases annually—10,000 for each of the OASDI and SSI programs. These reviews produce national and regional data on the quality of approximately 5 million OASDI claims, as well as 4.2 million SSI claims, redeterminations and other actions processed each year.

In addition, based on the findings, targeted reviews focus on specific problems that are identified at the national or regional level. Targeted samples are not limited to *Program Operations Manual System* compliance standards, but depend on the nature of the issue. Problem areas identified during the review drive the selection of topics for these targeted reviews of 8,000 cases annually—4,000 for each of the OASDI and the SSI programs. The selections are distributed in proportion to the size of the recipient population of each Social Security region.

Assessment visits to field offices comprise a third element of the review. In conjunction with the Regional Commissioners, Regional Offices of Quality Assurance staff conduct field assessment visits to identify where work process improvements can be made. Reports are provided every 6 months, covering a rolling 12 month review period.

Performance Report: The annual PAR is used to report Agency progress in meeting the goals of the *Government Performance and Results Act of 1993*. This FY 2005 PAR describes the Agency's comprehensive review of management and security controls for administrative and programmatic processes as well as accounting controls in its financial management systems.

Also discussed are the results of the audit of the FY 2005 financial statements and internal controls by PricewaterhouseCoopers (PwC), an independent accounting firm. The Agency uses the results of such reviews and assessments to take action to ensure that appropriate controls are in place to prevent unauthorized systems access and to increase confidence in the reliability of performance data.

Role of Social Security's OIG: OIG plays a key role in auditing performance measure data systems to determine if they are reliable and that data are useful and relevant to policy decision-making. OIG annually audits a number of Social Security's performance measures and corresponding performance data. In FY 2005, OIG initiated a review of 16 GPRA performance measures reported in the Agency's FY 2004 PAR. The OIG's contractor, PwC, performed the work, and their objectives were to:

- Assess the effectiveness of internal controls and test critical controls over the data generation, calculation, and reporting processes for the specific performance indicator.

- Assess the overall reliability of the performance indicator's computer processed data. Data are reliable when they are complete, accurate and consistent, and are not subject to inappropriate alteration.
- Test the accuracy of results presented and disclosed in the *Fiscal Year 2004 Performance and Accountability Report*.
- Assess if the performance indicator provides a meaningful measurement of the program it measures and the achievement of its stated objective.

Of the 16 audited GPRA performance measures, as of the end of FY 2005, OIG had only issued final audit reports for seven of the measures. Of these seven measures, the OIG found the data for one of the measures to be reliable while the data for six of the measures were not reliable. The OIG concluded that the reasons the data was considered unreliable included: SSA employees with excessive system access rights to the datasets used to calculate the results of the performance indicators; and data retention limitations for the detailed data used to calculate the performance indicator results.

SSA has already implemented or agreed to implement a majority of the audit recommendations. In addition, the Agency provided a rationale concerning the recommendations with which it did not agree. For example, in response to the audit findings related to data retention the Agency cited *OMB Circular A-11, Section 230.2 (f)*, "Assessing the Completeness and Reliability of Performance Data," the "Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained." Due to system limitations, the Agency cannot maintain a full FY's worth of detailed-level data related to several of its performance measures. In addition, the Agency believes that the cost for the additional systems storage would outweigh the return-on-investment.

In response to the FY 2004 GPRA audit observations made by the OIG, SSA is:

- Using a risk-based approach to evaluate access rights for all its programmatic and administrative systems. The systems identified as most tempting for high-risk activity have been successfully secured.
- Working to improve the overall documentation for performance measures which are not defined as "Key Performance Indicators."
- Coordinating with performance measures owners to ensure that the measures are results oriented and show progress against strategic objectives and goals.

Audit of SSA's FY 2005 Financial Statements: In accordance with the *Chief Financial Officer's Act of 1990*, SSA's financial statements were independently audited by PwC. The objective of this audit was to determine whether the financial statements present fairly, in all material respects, the financial position of the Agency. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The PwC audit report can be found in the *Financial Section* of this FY 2005 Performance and Accountability Report.

Agency Challenges

Each year SSA’s Office of the Inspector General (OIG) and the Government Accountability Office (GAO) specify major management challenges for the Agency. The following table lists these challenges, links the challenges to related Agency strategic goals and objectives, and shows the *President’s Management Agenda* (PMA) initiatives most closely related to both the challenges and the goals.

Agency challenges are grouped by the Agency strategic goal — **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF** — that addresses a specific challenge. PMAs are also listed to enhance the reader’s understanding of the relationship among the different elements.

SSA’s Major Management Challenges Linked to Agency Strategic Goals and the PMA		
Major Management Challenges	Strategic Goals and Objectives that Address the Challenges	PMA Items Related to Challenges and Goals
<u>SERVICE</u>		
<ul style="list-style-type: none"> ▪ Management of the Disability Process * ▪ Improve Programs that Provide Support for Individuals with Disabilities † ▪ Better Position SSA for Future Service Delivery Challenges, Including Information Technology† ▪ e-Government (OIG’s Service Delivery)* 	<ul style="list-style-type: none"> ▪ Make the right decision in the disability process as early as possible ▪ Increase employment for people with disabilities ▪ Improve service through technology 	<ul style="list-style-type: none"> ▪ Expanded Electronic Government
<u>STEWARDSHIP</u>		
<ul style="list-style-type: none"> ▪ Continue to Strengthen the Integrity of the Supplemental Security Income Program † ▪ Improper Payments * ▪ Social Security Number (SSN) Integrity and Protection * ▪ Internal Control Environment and Performance Measures* ▪ Strengthen Controls to Protect the Personal Information SSA Develops and Maintains† ▪ Critical Infrastructure Protection and Systems Security * ▪ Representative Payee* 	<ul style="list-style-type: none"> ▪ Prevent fraudulent and improper payments and improve debt management ▪ Strengthen the integrity of the SSN ▪ Increase accuracy of earnings records ▪ Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes 	<ul style="list-style-type: none"> ▪ Competitive Sourcing ▪ Improved Financial Performance ▪ Budget and Performance Integration (including Program Assessment Rating Tool (PART) requirements) ▪ Improper Payments (Program Initiative)

SSA's Major Management Challenges Linked to Agency Strategic Goals and the PMA		
Major Management Challenges	Strategic Goals and Objectives that Address the Challenges	PMA Items Related to Challenges and Goals
<u>SOLVENCY</u>		
<ul style="list-style-type: none"> ▪ President Bush, Congress, GAO and the Congressional Budget Office have called for reforms to strengthen Social Security 	<ul style="list-style-type: none"> ▪ Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs 	<ul style="list-style-type: none"> ▪ There are no PMA items that directly relate to Solvency.
<u>STAFF</u>		
<ul style="list-style-type: none"> ▪ Human Capital (GAO and OIG's Service Delivery) 	<ul style="list-style-type: none"> ▪ Recruit, develop, and retain a high-performing workforce 	<ul style="list-style-type: none"> ▪ Strategic Management of Human Capital

* Identified by SSA's OIG

† Identified by the GAO

Agency Challenges by Strategic Goal

SSA's current strategic goals and objectives, articulated in the *Agency Strategic Plan* published in March 2003, provide a framework for prioritizing projects and initiatives and allocating Agency resources. As challenges are identified, adjustments are made to the activities under each strategic goal, but the goals and objectives remain as initially stated until a new strategic plan is published in early 2006.

A discussion follows of how Agency goals and objectives address the challenges identified by SSA's OIG and the GAO as each challenge relates to the Agency's goals. It is important to note that many challenges cut across Agency objectives. For instance, *Electronic Government* relates not only to the **SERVICE** goal, but relates also to the Agency's **STEWARDSHIP** goal. Other challenges overlap. "*Better positioning SSA for future service delivery,*" for instance, is closely tied to other challenges such as "*Social Security Number integrity and protection*" and "*Strengthen controls to protect the personal information SSA develops and maintains.*" Because of these interrelationships, it is more effective to treat challenges as groups within the objective to which they most closely relate. In addition, because Agency strategic goals drive virtually all of SSA's planning and resource allocations, the identified challenges are discussed along the same lines as the goals: **SERVICE, STEWARDSHIP, SOLVENCY** and **STAFF**.

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

SERVICE Challenges:

- Management of the Disability Process
- Improve Programs that Provide Support for Individuals with Disabilities
- Better Position SSA for Future Service Delivery Challenges, Including Information Technology
- Electronic Government

Strategic SERVICE Objectives that Address the Challenges:

- Make the Right Decision in the Disability Process as Early as Possible
- Increase Employment for People with Disabilities
- Improve Service through Technology

PMA Initiative Related to SERVICE:

- Expanded Electronic Government

Addressing the Service Challenges Through Changes to the Disability Process

One of the SSA's highest priorities is to improve service to individuals filing disability claims and appeals. The time it now takes to process these actions is unacceptable. Some people who are clearly disabled deserve, but cannot get, an immediate decision. Delays place significant burdens on applicants and their families and drain Agency resources. The SSA's proposed improvements to the disability determination process, made possible by the Agency's electronic disability process, are designed to accelerate decision times and pay benefits much earlier in the process to people who are clearly disabled.

Improved management of the process since 2001 has resulted in a decrease of 13 days in average disability claim processing time—from 106 days to 93 days. This improvement in processing time specifically addresses the challenge related to the Service challenge, "*Management of the Disability Process*".

Disability applications are expected to increase as baby boomers enter their disability-prone and retirement years. With the number of Disability Insurance (DI) beneficiaries projected to grow 35 percent in the 10-year period from 2003 to 2012, SSA continues to develop and implement process improvements to address the challenges inherent to a growing workload and unacceptably long processing times. Two such improvements are discussed below.

Electronic Disability Processing: Upon taking office, the Commissioner instituted a thorough analysis of the disability business process from a claimant's first contact with SSA through all steps of the process, assuming the claimant was denied at each level from the initial decision to the final appeal. The analysis, done from the claimant's point of view, identified delays throughout the process and found that moving to an electronic system would address many of the delays and improve timeliness.

SSA has relied on paper applications and evidence stored in file folders to facilitate an applicant's claim for benefits through the claim review and decision process. Reliance on the paper folder necessitated the physical movement of the folder through each processing step, including using the Postal Service to mail folders between offices. To reduce delays inherent in this process, as well as the expense of shipping and storing folders, SSA has implemented an electronic disability initiative known as *eDib*. The new process replaces the paper disability folder with electronic records that are easily accessible to case processing personnel all across the country. The electronic

folder also eliminates the problem of lost folders, which previously resulted in further delays to locate or recreate in the disability process. Implementation of the electronic folder began in January 2004, with full expansion to be completed by the end of fiscal year (FY) 2006. As of the end of FY 2005, the electronic folder process has been initiated in all SSA Field Offices and in all State Disability Determination Service sites except New York, which will begin processing electronic folders in January 2006.

SSA also made significant progress in the implementation of the eDib initiative within the Office of Hearings and Appeals (OHA) in FY 2005, and is already realizing some of the benefits provided by electronic case processing. The Agency provided eDib training to 75 hearing offices during FY 2005, increasing the total number of hearing offices trained in processing cases electronically. The hardware needed to conduct electronic hearings has also been installed in 99 hearing offices during FY 2005, allowing 563 electronic hearings to be held by the close of FY 2005. The installation of digital recording equipment supports electronic case processing. OHA has involved claimant representatives and expert witnesses in the use of eDib. The process to validate and certify the first hearing offices to process disability case hearings in a folderless environment is now underway. The Agency continues to provide system enhancements that will expedite the hearing process and ultimately, provide disability claimants with faster and higher quality service. Elimination of paper in the disability process is independent of, but related to, further improvements that the Commissioner has proposed.

Proposed Disability Process Improvements: There is no *one* solution to making the disability decision process faster and better. More efficient processing will require many improvements – some large, some small – to achieve SSA’s Service goal. While the Agency has undertaken indirect improvements to its current process, the Agency’s strategic initiatives fall into two main categories:

- A new approach to the disability determination process in order to improve accuracy, consistency, and timeliness of decision making throughout the process. As part of the new process, the Agency is continuing implementation of the electronic disability project; and
- A *Comprehensive Work Opportunity Initiative* to assist individuals with disabilities who want to become more economically self-sufficient through employment.

In July 2005, the Agency proposed regulatory changes to the disability determination process. Specifically, these improvements will:

- Establish a *Quick Disability Determination Process* through which State agencies will expedite initial determinations for claimants who are clearly disabled;
- Create a *Federal Expert Unit* to augment and strengthen medical and vocational expertise for disability adjudicators at all levels of the disability determination process;
- Eliminate the State agency reconsideration decision and terminate the *Disability Prototype* that the Agency currently pilots in 10 States;
- Establish Federal reviewing officials to review State agency initial determinations upon the request of claimants;
- Preserve the right of claimants to request and be provided a *de novo* (new) review hearing, which will be conducted by an Administrative Law Judge (ALJ);
- Close the record after the ALJ issues a decision, but allow for the consideration of new and material evidence under certain limited circumstances;
- Gradually shift certain Appeals Council functions to a newly established Decision Review Board; and
- Strengthen in-line and end-of-line quality review mechanisms at the State agency, reviewing official, hearing and Decision Review Board levels of the disability determination process.

This new disability process preserves many significant features of the current system. Initial disability claims will continue to be handled by the Agency's Field Offices; employees in the State DDS offices will continue to establish the severity of a person's medical condition; and ALJs will continue to conduct hearings and issue decisions.

One reason it is essential for the Agency to make the right decision in the disability process as early as possible is that the current lengthy processes can actually present barriers to an individual's ability to enter or re-enter the workforce. The Agency's *Comprehensive Work Opportunity Initiative*, supports the new disability approach with several demonstration projects designed to overcome barriers to employment during the application and adjudication process, and afterward.

The *Early Intervention* project will offer interventions to a nationwide sample of DI applicants with impairments that may be reasonably presumed to be disabling (i.e., they are likely to be awarded DI benefits) and who are likely to return to work as a result of the program. The interventions will address multiple barriers to employment. For example, a participating applicant may have access to a wide range of employment services, a one-year cash stipend equal to the applicant's estimated DI benefit, and access to appropriate health care.

The *Accelerated Benefits* demonstration project will provide immediate health benefits and employment supports to certain newly entitled DI beneficiaries who have medical conditions that are expected to improve or could possibly improve with access to appropriate medical care. Under current law, most DI beneficiaries must wait 24 months after cash benefits begin before they become eligible for Medicare. Thus, many people have no health insurance and limited access to medical care during a period of time when access to those resources might serve to help improve their medical condition, thereby increasing their ability to improve their self-sufficiency through employment.

The *Interim Medical Benefits* project would provide medical benefits to applicants with no medical insurance during the period of adjudication. This project would both be likely to improve a participating applicant's medical condition and facilitate the development of the necessary documentation for disability adjudication while providing the applicant needed services.

In a further effort to improve the Agency's disability programs, SSA will establish a Disability Program Policy Council to provide a forum to discuss policy issues and to make policy and procedural recommendations. In addition to these initiatives, others aimed at improving the disability determination process include elimination of disability workload backlogs, revising the medical listings, updating vocational policy to reflect market changes (including developing ways of effectively measuring physical and mental requirements of jobs that exist in the national economy), and improving training of disability examiners.

Addressing the Service Challenges Through Programs that Provide Support to Individuals with Disabilities

Currently only a small percentage of disabled beneficiaries work and earn enough to leave the disability rolls. SSA is dedicated to increasing the number of DI beneficiaries and SSI blind and disabled recipients who obtain employment. This will be achieved by ensuring that individuals with disabilities have the opportunity to develop and learn skills, engage in productive work, make choices about their daily lives, and fully participate in community life. There are numerous SSA initiatives to help persons with disabilities toward economic independence.

An Example of SSA Actions to Improve Programs that Provide Support for Individuals with Disabilities

SSA's success in increasing employment will:

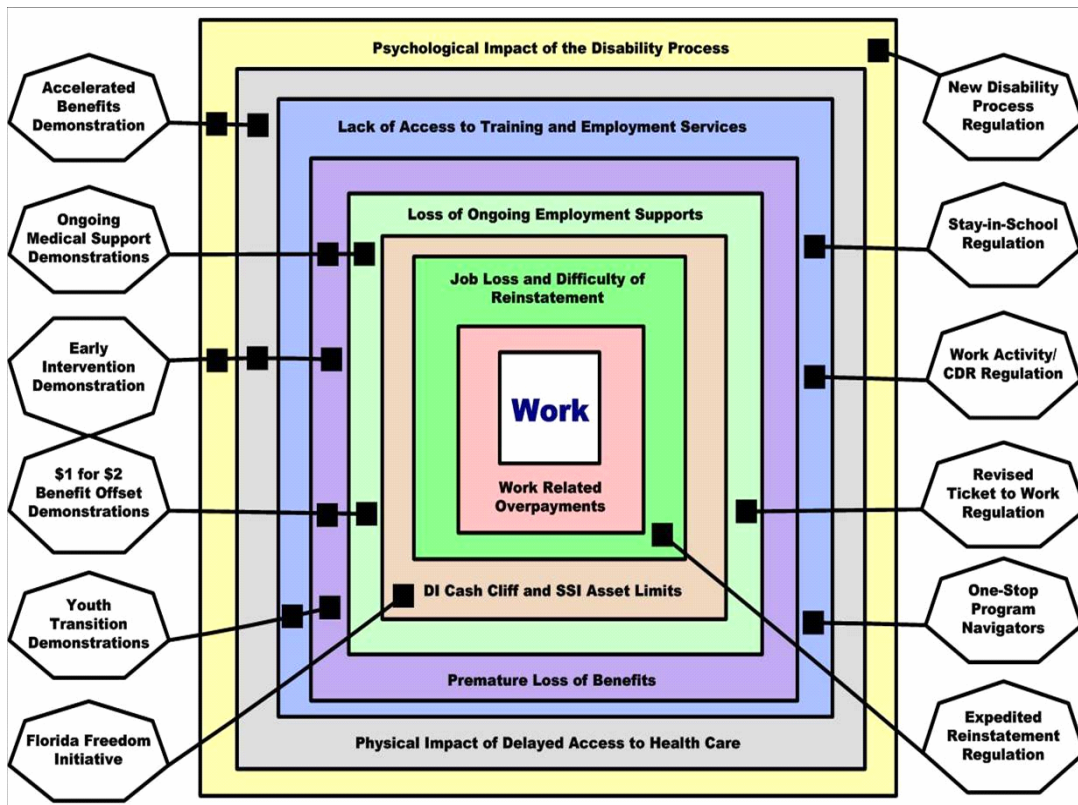
- Increase the number of individuals with disabilities who are working.
- Result in an important contribution to the economy through the talents and earnings of these individuals.

Social Security is looking at the concept of disability in a different way, and we are looking to serve individuals with disabilities in a different, more effective way. The population of individuals with disabilities represents various age groups and who have different impairments, levels of education, work experience, and capacities for working. Many changes in law, medicine, technology, and society have transpired since Social Security's disability programs were established. The workplace has also been made more accessible.

While many individuals with disabilities cannot work at all on a sustained basis, many others want to and can work on a part-time or full-time basis. Unfortunately, despite advances in medicine, law, technology, and society, multiple barriers to work still exist (see chart below). Most individuals with disabilities face more than one barrier, often three, four or more. To effectively assist individuals with disabilities who want to work, Social Security is working to address all barriers. To leave just one barrier standing is to keep a beneficiary from working.

SSA is working to ensure that individuals with disabilities who want to work have the opportunity to do so. Figure 1 illustrates how the *Comprehensive Work Opportunity Initiative* represents the Agency's overarching strategy to assist individuals with disabilities who want to become more self-sufficient.

Figure 1: Comprehensive Work Opportunity Initiative: Overcoming Multiple Barriers to Employment



The *Comprehensive Work Opportunity Initiative* addresses these multiple barriers to employment through a three-pronged approach. First, SSA will strengthen and continue to market the Ticket-to-Work program. Second, the Agency will design, implement and evaluate demonstration projects aimed at supporting the efforts of individuals with disabilities who want to enter or re-enter the workforce. For many of these projects, the Agency will work in conjunction with other Federal and State agencies, such as the Department of Education and Department of Labor, in order to provide support across a broad range of areas. Third, the Agency will continue to develop and offer appropriate legislative and regulatory proposals aimed at encouraging participation by beneficiaries and service providers in work incentive initiatives.

Ticket-to-Work strategies, which directly support the President's *New Freedom Initiative*, include:

- Providing improved marketing materials to beneficiaries with disabilities to increase awareness of the Ticket Program. The Agency will continue to reach out to the communities by means of expositions, meetings, conferences, community forums and media events. SSA focus groups will continue to ensure that the Agency is providing, in the appropriate formats, products Social Security beneficiaries want and need.
- Making benefit planning services more available and usable for beneficiaries to increase their awareness of return-to-work options.
- Focusing on the improvement and expansion of the Agency's partnerships with other Federal, State, community-based organizations and other public agencies, as well as private individuals and groups, who serve Social Security beneficiaries with disabilities.

SSA continues to develop demonstration projects and other innovative initiatives that test strategies to increase opportunities and break down potential barriers for people with disabilities who wish to enter or re-enter the workforce.

- The *Disability Program Navigator*, jointly funded with the Department of Labor, provides seamless employment services to individuals with disabilities seeking to enter or re-enter the workforce. Navigators work in One-Stop Career Centers administered by the State Workforce Investment Boards and provide a critical link to the local employment market and facilitate access to programs and services.
- The *Youth Transition Process Demonstration* assesses ways to facilitate the transition of disabled children from school to independence as adults. Projects will continue to provide services through 2009.
- The *Homeless Outreach Projects and Evaluation* was provided funding by Congress to address homelessness and to support the President's initiative to end chronic homelessness in 10 years. Through cooperative agreements, forty-one service providers nationwide will provide application assistance to homeless populations into 2007.
- The *Mental Health Treatment Study* will test the impact of providing health care to Disability Insurance beneficiaries who have a mental impairment as their primary diagnosis. Study participants will receive access to outpatient mental health disorder treatments and/or vocational rehabilitation (VR) to determine if these interventions have an impact on their ability to return to work.
- The *Benefit Offset Demonstration* will allow the SSA to test the impact and cost of a sliding scale benefit offset for DI beneficiaries and applicants. Under this test, disability benefits would be reduced \$1 for every \$2 a DI beneficiary earns above a given threshold. Under current rules, a beneficiary will lose DI cash benefits after completing a trial work period if earnings are above substantial gainful activity, which in FY 2005 was \$830 per month.
- The *Ongoing Medical Benefits* project will test the effects of providing ongoing health insurance coverage to beneficiaries who want to work, but have no other affordable access to health insurance. The pilot study will target individuals with HIV/auto-immune disorders.

In 2005, SSA proposed revisions to the Ticket-to-Work regulations. The changes to the current rules seek to improve the effectiveness of the program in assisting beneficiaries who want to become more economically self-

sufficient through employment. The changes would: 1) expand the population of individuals eligible for Tickets to include individuals who are medically expected to improve; 2) change the rules for Ticket assignment to enable beneficiaries to take advantage of a richer combination of services from both VR agencies and Employment Networks (ENs are private organizations or government agencies that work with Social Security in providing employment services to beneficiaries with disabilities); 3) modify the EN payment systems to accelerate payment to ENs serving title II beneficiaries. This, we believe, will increase the incentive for small or undercapitalized providers to participate as ENs. The changes will also lessen the difference in payment amounts under the outcome-milestone payment system, as compared to the outcome payment system.

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

- Through the *Benefits Planning, Assistance and Outreach* program, Social Security partners with community-based organizations to provide work incentives planning and assistance directly to Social Security's beneficiaries with disabilities, including conducting outreach efforts to beneficiaries and their families. Social Security awarded 114 cooperative agreements for projects in all 50 States, the District of Columbia and the United States Territories. These awards allow eligible beneficiaries to participate in Federal and State work incentive programs, as the grantees provide information, advice and counseling to eligible beneficiaries on supports provided by other Federal, State and local work incentive programs. Some 53,000 beneficiaries each year receive direct services from grantees.
- Nationally, SSA's *Protection and Advocacy for Beneficiaries of Social Security* (PABSS) projects provide a broad range of advocacy related services to beneficiaries with disabilities. These include providing information and advice about obtaining VR and other related employment services, and advocacy or other services that a disabled beneficiary may need to secure, maintain or regain gainful employment. The *Social Security Protection Act* reauthorized and extended the PABSS program through FY 2009. Social Security will soon announce the Work Incentives Assistance Program Grants to State Protection and Advocacy Systems for the period December 1, 2005 through November 30, 2006.

Legislative and Regulatory Proposals: Social Security has proposed other changes aimed at breaking down barriers to work including modifying rules regarding Continuing Disability Reviews (CDRs) for some beneficiaries in order to remove the potential disincentive of work activity within the Ticket program. The Agency has recently made several final regulatory changes to remove barriers to employment including: 1) allowing the continuation of benefit payments to certain individuals who are participating in a program of VR services, employment services, or other support services and extending eligibility for continuing benefits to students age 18 through 21 who have an individualized education plan; and 2) providing an expedited process for benefit reinstatement if a former beneficiary with a disability is no longer able to work.

The SSA will continue to evaluate potential ways to further assist individuals with disabilities who are interested in working or returning to work.

Addressing the Service Challenges Through Use of Technology

Advances in information technology are essential in meeting the Agency's future productivity challenges. The Social Security Advisory Board 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, adapting technological solutions is essential to maintaining efficiency and supporting Agency employees who deliver the level of service that the American public has come to expect from SSA.

Examples of How SSA Actions Have Improved Social Security Service Through Technology

- Provided the public with easy and efficient access to SSA services without leaving their homes or workplaces, ultimately saving time and resources for the public.
- Improved Agency productivity and service through increased processing efficiencies.
- Conserved Trust Fund and general revenue monies.

SSA continually assesses the service needs of the public to determine how the Agency can meet those needs appropriately, efficiently and timely. An essential element in this process is the active involvement of the public in determining the form and content of the services they want and need. In order to maximize the availability of automated telephone and Internet service delivery options, SSA takes advantage of technological advances and related policy changes that respond to the public's needs. Improvements in electronic service options benefits the public, whether they receive services through Agency employees or use direct services such as the Internet or the automated telephone services.

The President's Management Agenda (PMA) requires Federal agencies to use modern technology to provide high quality service, improve access to services, and reduce costs. SSA is committed to achieving the goals of expanded electronic government while ensuring the security of its information infrastructure. By improving systems security and controls, the Agency can use current and future technology more effectively to fulfill the public's needs.

With the growing number of services and increased sophistication of online governmental and private transactional services, the expectations of the public for Internet services are greater than in the past. SSA continues to develop cost-effective Internet services. Responding to the needs of its service population, SSA strives to develop or enhance applications that are fully electronic. Such applications allow individuals to complete transactions at the initial point of contact, whether online or through the 800-number automated service. The Agency continues to expand use of these services by improving their availability, encouraging the public to use the Agency's Internet website, and partnering with other governmental and private entities to promote integrated service delivery.

For the foreseeable future, the automated telephone service remains one of the Agency's important service channels and one of the more effective ways in which the Agency provides service. SSA takes the necessary steps to ensure that telephone service is provided at a level of excellence. The Agency has taken steps to automate more calls and to minimize the time it takes a caller to select a service. The implementation of speech recognition technology has reduced the time callers spend navigating through menu prompts and has reduced manual workloads.

Specific strategies for improving service through technology include:

Electronic Government-to-Public

- *Social Security Online*, the official Social Security website (www.socialsecurity.gov), attracts over 33 million visitors a year. This has eased demands for direct service by SSA's 800-number and Field Office staff.

In response to the devastation that resulted from Hurricane Katrina, SSA initiated its emergency procedures plan. A special website was established with up-to-date information for people affected by hurricane Katrina. In addition to information about what to do in cases where claims were already filed, or how to file a claim for benefits, the website included a listing of temporary Social Security offices. Social Security representatives in the temporary offices in Georgia were available 7 days a week. Beneficiaries who were unable to access their Social Security funds could go to any open Social Security office and request an immediate payment. SSA worked closely with the Federal Emergency Management Agency to staff emergency centers in areas where Social Security offices were closed.

- *Frequently Asked Questions*, a cornerstone feature of the website, provides answers to over 19 million client inquiries each year.
- *E-Mail Inquiries* is a service provided to clients who have used the *Frequently Asked Questions* and did not find an answer. SSA responded to over 513,000 inquiries by e-mail through FY 2005, providing another direct service option in addition to the 800-number and Field Office services. Of the total inquires, 15,000 were from employers and 2,400 from persons who needed responses in Spanish.
- *Field Office Locator* is an application on the Agency website that provides instant access to the location of every SSA Field Office by ZIP code. The street address, office hours and directions to the office are provided through these channels. Listings of local social service agencies are also available. In FY 2005, SSA responded to over 10 million requests for Field Office locations.

In addition to providing easier access to information, expanded electronic service delivery is critical to keeping up with growing workloads and providing more timely service. SSA developed a portfolio of services to provide online transactions and increased opportunities for the public to conduct Agency business electronically in a private and secure environment. Accomplishments in this area include:

- *Internet Social Security Benefit Applications* that allow the public to apply for Social Security retirement, spouse and disability benefits online. In FY 2005, approximately 264,617 applications for Social Security benefits were submitted online through secure Internet connections.
- *Improved Speech Recognition* through SSA's automated 800-number service allows citizens to interact with an automated program by speaking options instead of using the numeric keypad on the telephone. Automated telephone applications allow callers to access claims, benefits and related programmatic information. Requests for replacement Medicare cards and proof of income letters have joined Applications for SSN, requests for *Social Security Statements* and pamphlet requests as speech-enabled services. In July 2005, additional speech technology was implemented that automated the Change of Address and Direct Deposit workloads that formerly were processed by 800-number agents.
- *An Electronic "Signature Proxy" Process* that is an alternative to pen-and-ink signatures on benefit applications. It is used by claimants who file online, by telephone, on the Internet or in person. This feature continues the Agency's progress toward a fully electronic environment. Signature proxy provides relief for printing, routing, folder preparation, mailing, and storage costs. Claimants receive the full benefit of having an automated process. Agency processing service centers realized a decrease of 2,415,597 folders in FY 2005 compared to FY 2003, which was the last year without signature proxy.
- *Electronic Services for Current Beneficiaries* that include requests for changes of address and direct deposit arrangements, replacement Medicare cards, benefit verifications and replacement Internal Revenue Service (IRS) *Form 1099*. Cumulatively, these services using the Internet and 800-number speech recognition features handled over 3 million transactions in FY 2005.
- *Services for the General Public*, which include the Benefits Planner, Online Social Security Statement Request, the Benefit Eligibility Screening Tools and other online and 800-number speech-enabled electronic services, served over 16 million website visitors in FY 2005.
- *Medicare Part D Subsidy Applications* are available online to Medicare beneficiaries with limited income who want to apply for a special premium. The subsidy determination process can also be completed electronically using automated routines and computer matching operations. As of the end of September 2005, more than three million people had applied for the extra help available with Medicare prescription drug costs. The extra help will pay most of the cost of monthly premiums, annual deductibles and prescription co-payments—an average of \$2,100 in extra help per year.

Electronic Government-to-Government: The Agency's initiatives have improved not only SSA services to the public, but also Government-wide services. By establishing partnerships with other agencies, SSA and Government agencies at all levels share best practices and find solutions to common problems. In further support of the electronic Government initiative, SSA participates in 19 of the 24 Presidential electronic Government initiatives and

holds lead responsibility for one of these, *e-Vital*. The *e-Vital* initiative seeks to automate and streamline the current paper-laden processes used to collect, process, analyze, and disseminate death records among Government agencies and others that require access to such data, in accordance with State and Federal laws and regulations.

Electronic Government-to-Government strategies at SSA involve data exchanges with over 4,000 entities to ensure that benefit programs across Government agencies are administered fairly and accurately. Information and data exchanges between SSA and other Government agencies result in programmatic and administrative savings of over \$2 billion each year. In addition, by working together, SSA and other agencies are able to provide timelier, seamless service to the public.

Following are some examples of the many successful SSA data exchanges.

- “*Secondary Payer*” match involves the IRS, 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 a spouse’s employer, allowing for the recovery of Medicare payments from the primary carrier. This *win-win* situation provides better health insurance coverage for the beneficiary along with lower costs to the Government.
- *Veterans Administration Benefit* match allows SSA to determine if a SSI recipient is also receiving a Veteran’s pension or compensation, since SSI payments are reduced for other types of income. It also detects changes to the Veteran’s benefit that allow earlier offset to the SSI payment.
- The *Social Security/Railroad Retirement Board* match allows for automatic exchange of eligibility information needed by both programs. This exchange is needed because each agency’s benefits are computed using information from the other’s program.
- The *Department of Labor and Social Security* exchange facilitates data sharing between State Workforce Agencies and SSA. The exchange permits SSA Field Office employees to obtain unemployment and wage data online. In return, State Workforce Agencies obtain SSN and payment data from SSA. SSA started exchanging data in September 2004. To date, 36 States expressed interest in exchanging data and, of those, 25 signed agreements.
- The *IRS match* is an agreement with the IRS in which SSA receives information about unearned income for use in the SSI program. This match alone saves the SSI program over \$47 million per year.
- *The Help America Vote Act* of 2002 requires SSA to assist the States and designated territories in voter registration by verifying an applicant’s name, date of birth and the last four digits of the applicant’s SSN.
- *Medicare Modernization Act* matches have been negotiated with the IRS, Treasury Department, Department of Veterans Affairs, Railroad Retirement Board and Office of Personnel Management for income verification to determine subsidy eligibility for the new *Medicare Part D* (Prescription Drug coverage). SSA is responsible for determining an applicant’s income and resources to determine whether the applicant is eligible for a subsidy, and if so, the amount of the subsidy.
- The *American Association for Motor Vehicle Administration* and the Agency have multiple agreements through which SSA provides SSN verification for drivers’ licenses and applications for State-issued identification cards.

Electronic Government-to-Business: SSA has made improvements in its service to employers. Current electronic Government-to-Business strategies include automating wage reporting by employers to SSA and employer verification of new employees’ SSN and identification information. These services continually are being improved and expanded to better serve the business community and to obtain additional efficiencies in SSA operations.

Accomplishments to date include:

- 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 award 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 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 2003, 60 percent of all employee wage items (*Forms W-2*) were submitted electronically. As a result of SSA's marketing and outreach efforts, 64.5 percent of all 2004 wage items received through July 2005 were 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 time and money for both the employer and the Agency.
- *SSN Verification Service* allows employers to verify SSNs and names online. Matches of up to 10 name and number combinations can be performed immediately, while larger batches of up to 250,000 are verified and the results electronically delivered to employers the next business day. This service was implemented on June 1, 2005; and, in the first 2½ months, 3,868 employers were authorized to use the service, with 200,000 names and SSNs being verified. Automating the process reduces staff and administrative time constraints for both SSA and employers and provides timely service to the business community. The system holds great promise. 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 service. Over the next several years, SSA will eliminate the use of tapes, cartridges and diskettes in an effort to increase electronic reporting over the Internet. This coincides with SSA's plans to accommodate more business by way of the Internet, improve earnings products and services for employers and employees, and improve the earnings establishment, correction and adjustment processes.

Improvements to the Hearing Process: In an effort to enhance public service, SSA continued to implement technology initiatives. Video hearings allow the Agency to reach more claimants in remote areas, reducing the time it takes to schedule and hold a hearing for these individuals. In FY 2005, SSA increased the number of video hearing sites to 297, and held 24,999 video hearings. This represents a 198% increase over last year.

Another technology improvement at the hearings level was the installation of digital recording equipment to replace analog cassette recorders, and to provide an electronic recording that is compatible with, and can be uploaded to, the electronic folder. The digital system offers improved sound quality, more stable storage capability, reduced archival storage needs, and greater functionality. The new equipment was installed and employees were trained in 105 sites during FY 2005. Over 117,000 digital hearings have been recorded since December 2003, eliminating the potential of lost tapes in these cases.

Other Technology-Supported Initiatives: SSA continually looks for ways to increase automation and eliminate labor-intensive, manual processes. For several years the Agency concentrated on improvements to the OASDI claims and post-eligibility processes. SSA's focus has now shifted to automating provisions of the *Medicare Prescription Drug Improvement and Modernization Act of 2003*. While CMS are primarily responsible for implementing the legislation, SSA plays an important role in determining whether individuals are eligible to receive a premium subsidy for the new prescription coverage that begins in 2006.

Supplemental Security Income Postentitlement Modernization: The *Modernized Supplemental Security Income Claims System* is used to process SSI initial claims and postentitlement actions. Automation enhancements in the

system help improve the quality of data used to determine payment and eligibility, increase productivity and improve customer service. Software improvements implemented during FY 2005 include:

- A new central SSI database where a single report of income will update all related records. This enhancement is a major step towards improving customer service. It reduces follow-up contacts with the reporter and is a major step towards improving payment accuracy.
- An application in the SSI system that automates the transfer of cases among offices. This provides managers the flexibility to redistribute workloads to make optimum use of Agency resources.
- Enhancements to the SSI system for use when a couple receiving SSI payments separates. The record must then be adjusted to reflect that each will receive benefits independently. In the past, the creation of one record was possible through the automated system with the second record needing to be controlled and established manually.

Social Security Unified Measurement System is considered a key enabler in monitoring and reporting on Agency progress toward achieving its strategic goals and objectives and tracking resource expenditures. The objective of this system is to count and measure work in a consistent manner at all organizational levels. It provides the detailed information that managers need to monitor service, forecast workloads and make informed decisions on how best to manage work and resources. Access to standard reports, such as processing time reports, is the web portal *MI Central*. This portal provides management information to managers and technicians who simply select the needed report or listing from a list on the computer screen. The current information is displayed at the desktop. In addition, *ad hoc* reports, when needed, can be obtained from the databases using available analytical computer programs.

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

STEWARDSHIP Challenges:

- Integrity of the Supplemental Security Income Program
- Improper Payments
- SSN Integrity and Protection
- Internal Control Environment and Performance Measures
- Strengthen Controls to Protect the Personal Information SSA Develops and Maintains
- Critical Infrastructure Protection and Systems Security
- Representative Payee

Strategic STEWARDSHIP Objectives that Address the Challenges:

- Prevent Fraudulent and Improper Payments and Improve Debt Management
- Strengthen Integrity of SSN
- Increase the Accuracy of Earnings Records
- Efficiently Manage Agency Finances and Assets and Effectively Link Resources to Performance Outcomes

PMA Initiatives Related to STEWARDSHIP:

- Competitive Sourcing
- Improved Financial Performance

- Budget and Performance Integration (including PART requirements)
- Improper Payments (Program Initiative)
- E-Government

Addressing the Stewardship Challenges Through Preventing Fraudulent and Improper Payments and Improving 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 and fraud, and extends to recovery of overpayments and payment restitution.

Examples of How SSA Actions Help Prevent Fraudulent/Improper Payments and Improving Debt Management

- Ensures that the public receives the benefits they are due.
- Assures taxpayers that Trust Fund money and general revenue funds are correctly administered and disbursed.

The following discusses ways that SSA prevents, detects and corrects improper payments. (Also, see the Appendix, *Improper Payment Information Act of 2002 Detailed Report*.) The Agency is responsible for benefit payments that annually exceed \$500 billion. The **STEWARDSHIP** of these dollars is one of its primary goals. The program initiative, *Eliminating Improper Payment*, within the PMA (see page 47) is addressed by this strategic objective.

In FY 2005, SSA targeted initiatives that have the most potential to improve the integrity of the Agency's programs across three fronts: improper payment prevention, improper payment detection and debt collection, which is the recovery of overpayments. Particular emphasis has been given to the improvement of the more error-prone SSI program. Some of these initiatives are discussed in greater detail below:

Prevention and Detection Activities:

- *Medical CDRs*: These reviews 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. The Agency has made 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 reviews dealing with severe impairments can be processed with a limited contact that investigates only if there has been a change in the beneficiary's condition or work activity. As a result of ongoing research efforts, the Agency is now able to process substantially more than half of the CDRs required by statute by using statistical scoring model screening. At the same time, SSA continues to focus on large-scale sampling to maintain program integrity while it explores new technologies, such as selected searches for information (text mining), to determine if further efficiencies can be realized. The President's Budget for FY 2006 would earmark funds for conducting increased numbers of CDRs. CDRs have proven to be cost-effective, returning more than \$10 for each \$1 spent on this workload.
- *E-Work System*: SSA has developed a means of controlling and processing work called *e-Work*. The *e-Work* system allows for improved coordination between Field Offices, enabling earnings information to be recorded at the point-of-contact, thereby reducing the occurrence of overpayments. Work CDRs are used to develop and evaluate the worth of the beneficiary's earnings to determine if disability benefits should continue or cease. The *e-Work* system replaced a manual, labor-intensive process, allowing SSA employees to process work CDRs more efficiently, timely and accurately. The system also provides a mechanism to collect reports of earnings

for SSI recipients and issue receipts of such reports to both DI work CDR beneficiaries and SSI recipients. The application will provide improved management information and tighter controls on the work CDR process. The application went live in 107 test offices across the country on January 2004, and was implemented nationwide in FY 2005.

- *SSI Non-Disability Redeterminations:* These redeterminations are used to detect and prevent SSI overpayments. Required by law, the redeterminations are periodic reviews of non-medical factors of SSI eligibility. In FY 2005, almost one-third of the SSI recipients had their eligibility reviewed at some point during the year. The estimated benefits from the FY 2004 redeterminations totaled nearly \$2.4 billion in overpayments collected or prevented and almost \$1.3 billion in underpayments paid or prevented. In FY 2005, approximately 1.7 million periodic redeterminations were processed.
- *Computer Matching Activities:* SSA's extensive computer matching programs, a few of which are discussed in the earlier section on *Electronic Government-to-Government*, ensure that entitlement to benefits should continue and that payment amounts are accurate. These automated matches are done on an ongoing, periodic basis (usually monthly) and alert SSA to such events as nursing home admissions, changes in prisoner status, deportation, and recent employment of individuals paying child support.
- *Wages and Bank Accounts as a Source of Improper Payments:* SSA is addressing two high sources of improper payments, unreported wages and unreported resources.
 - Wages
A monthly wage reporting process is designed to post earnings faster and prevent overpayments to SSI recipients whose earnings fluctuate from month-to-month. SSA also has finished an analysis of the effectiveness of monthly wage reporting by touch-tone and voice recognition telephone reporting. Additionally, a separate year-long SSI wage reporting test is being conducted in Kansas City and utilizes a centralized unit to process wage reports which are mailed in by reporters. This centralized wage reporting test will be evaluated when it comes to an end in December 2005.
 - Bank Accounts
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 an effort to reduce the amount of overpayments caused by financial accounts, SSA published final regulations in FY 2004 that allow the Agency to verify data electronically with financial institutions. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. Based on the proof-of-concept evaluation report completed in September 2004, SSA's executives decided to dedicate future systems' resources to expanding the automated bank account verification system nationwide. Verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. In February 2005, Social Security initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The results of this study, which are scheduled to be available in January 2006, will be used to increase the effectiveness and efficiency of a future national electronic verification process.
- *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 United States. The Agency monitors the withdrawal records from automated teller machines in foreign countries for SSI recipients receiving their benefits by direct deposit.
- *Electronic Death Registration:* Electronic Death Registration provides SSA substantial program and administrative savings and can help prevent and deter fraud, particularly since this State re-engineering effort speeds up the paperbound death registration process. With Electronic Death Registration, the Agency receives more timely and accurate State death data to detect unreported or discrepant dates of death. Payments are immediately stopped for any deceased individual for whom a verified death report is received. This is an automated process accomplished without employee intervention. States must report the data within 5 days of death. The State verifies the deceased's SSN using the *Online Verification System*. SSA has agreements with

22 States and other government entities. Eight contracts have been implemented. However, a successful national rollout of Electronic Death Registration depends on funding and State readiness. The Agency will continue the nationwide expansion of Electronic Death Registration by awarding as many States and other government entities as funding will allow in FY 2006. Provisions of the *Intelligence Reform and Terrorism Prevention Act* that provide grants by the Department of Health and Human Services to States to cross-match birth and death records may speed up Electronic Death Registration rollout beginning in FY 2007. SSA is currently working with the Departments of Health and Human Services and Homeland Security to assess the impact of the *Intelligence Reform and Terrorism Prevention Act* on this initiative.

- *Cooperative Disability Investigation:* This program, which began in 1998, represents one of SSA's most successful anti-fraud initiatives and plays a vital role within the Agency's disability programs. These investigations are a joint effort by the OIG, the State DDS, and the SSA. There are currently 18 Cooperative Disability Investigation units operating in 17 States. Units around the country look into disability claims and later events affecting entitlement that are referred by a DDS or SSA Field Office when fraud is suspected. Based on these investigations, SSA is able to:
 - Prevent payments to recipients who are not disabled.
 - Stop payments for recipients who have disguised or falsified medical improvement or work activity.
 - Reopen cases and stop payments to recipients who should never have been entitled to disability benefits.

In FY 2005, there were 3,198 allegations of fraud resulting in over 2,000 denials/terminations. In 1998, the program accounted for \$2.8 million in savings for SSA. In FY 2005, Cooperative Disability Investigation savings were \$123 million, operating with an annual budget of only \$11.4 million. In addition to tangible program savings, the public's awareness of the Cooperative Disability Investigation program, through such methods as notices, publications and/or online Questions and Answers, has the intangible effect of deterring fraud.

- *Representative Payee:* SSA appoints representative payees for individuals who are incapable of managing or directing the management of their benefits. In FY 2005, about 13 percent of a Social Security beneficiary's and SSI recipient's benefits were paid through a representative payee. Based on concerns of Congress, the media, the Inspector General and advocacy groups, SSA re-examined the representative payee program's operations. The Agency has made a number of improvements and continues to work on ways for continued improvements.

The most significant action SSA took was to implement provisions of the *Social Security Protection Act of 2004*, which gave the Agency additional tools for program stewardship, such as effective oversight of representative payees. The legislation provides for increased monitoring of organizational payees and invokes new sanctions for misuse of benefits. (Organizational payees are generally business entities such as administrators of nursing homes who serve as representative for a group of beneficiaries.) The legislation gives SSA the authority to impose civil penalties on representative payees who misuse benefits paid to them on behalf of Social Security 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, including:

- 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.
- Reissue of payment if an organizational payee misuses the benefits.
- Payee liability for any payments misused; the amount will be considered an overpayment to the payee and subject to recovery procedures.

Debt Collection/Overpayment Recovery: Overpayments most frequently occur as the result of late, incorrect or sometimes fraudulent reporting of events that affect a person's eligibility for payment. For those currently eligible to receive a Social Security or SSI payment, the overpayment is withheld from benefits due. For debtors who are no longer entitled, SSA uses its own billing and follow-up system to collect overpayments. SSA's billing and follow-

up system sends a series of progressively stronger-worded notices requesting repayment. If the debtor has not responded, telephone calls are made to negotiate payment with the debtor. In other cases, where no Social Security or SSI benefits are payable, the debt is referred to the *Treasury Offset Program* to recover the overpaid amount from Federal tax refunds and other Federal payments. In addition, SSA refers delinquent debts to credit bureaus to encourage repayment. In February 2005, SSA implemented the *Administrative Wage Garnishment* initiative. This allows employers to begin wage withholding from the debtor's wages to recover an overpayment. The same *Social Security Protection Act of 2004* that gave the Agency tools for monitoring representative payees also authorized cross-program recovery of benefit overpayments. The legislation allows SSA to recover overpayments paid under one program from the benefits paid under another program. It provides for withholding up to 100 percent of any retroactive payments due but not yet paid and 10 percent of ongoing monthly benefits for Social Security beneficiaries. New rules were published in the *Federal Register* to amend Agency regulations to implement SSA's expanded authority to use cross-program recovery to collect overpayments. The final regulations were published on November 30, 2004.

Agency strategies for increasing the recovery and resolution of overpayments also include:

- Identifying former SSI recipients whose overpayments had been determined to be uncollectible, but who are again receiving SSI and/or Social Security payments. From March 2004 until June 2005, \$67 million in SSI debt has been detected and \$10 million has been recovered.
- Building a scoring system that prioritizes overpayments that are not in a collection arrangement. This supports decisions to bring debt workloads into balance with operational resources, and ensures that resources are expended on the debt with the highest potential for recovery.

Addressing the Stewardship Challenges Through Improvements to the SSN Issuance Process

The original purpose of the SSN was to allow identification for an accurate record of earnings in order to pay a benefit amount based on those earnings. This still is the purpose of the SSN and the primary reason that SSA assigns numbers and issues cards. Over time, however, the SSN has become a growing means of personal identification in both the public and private sectors. As use of the SSN has grown, so has identity fraud.

Examples of How SSA Actions Strengthen the Integrity of the SSN

- Ensures that SSNs are assigned appropriately.
- Supports efforts to increase domestic safety and the security of the Nation's borders.

A SSN can aid in the ability to obtain services and State-issued licenses, conduct financial business, and gain access to information in various databases. As such, it is a powerful tool that can be used to engage in fraud or terrorism. The Social Security Advisory Board, the GAO, and SSA's OIG all have identified SSN misuse as one of the Agency's major management challenges during the next decade. Misuse occurs when:

- A person uses fraudulent documents to establish an entirely new "fake" identity;
- A person illegally acquires a number, or uses someone else's number; or
- An impostor steals and assumes the identity of another.

Identity fraud generally is not the result of an action or lack of action taken by SSA. Identity theft resulting from infiltration of a bank's database, for instance, cannot be controlled by SSA. SSA does, however, have a role in preventing and detecting SSN fraud through developing and implementing policies and procedures in partnership with other Government entities, particularly in terms of homeland security.

The Agency has taken many steps to strengthen its capability to prevent those with criminal intent from obtaining and misusing SSNs. The Agency is working closely with the Department of Homeland Security (DHS) to develop a web-based verification system that will expedite the non-citizen immigration and work status verification process. To further curtail the use of fraudulent immigration documents to get a SSN, the Agency established a cooperative program with DHS and the Department of State. The program allows certain non-citizens to apply for a SSN with the State Department when applying for a visa to enter the United States. SSA is working on systems enhancements for this program, which will allow for the expansion of additional non-citizen categories.

The *Intelligence Reform and Terrorism Prevention Act* requires the Agency to further improve its document verification processes, SSN and card security, and SSN verification systems. In consultation with the DHS, an interagency task force will be formed for the purpose of establishing SSN and card security requirements, including standards for safeguarding cards from counterfeiting, tampering, alteration, and theft and for verifying documents submitted for the issuance of replacement cards. The task force will also develop and allow for enforcement actions against the fraudulent use of SSN and cards. SSA will be responsible for the implementation of the security requirements.

In FY 2005, SSA's strategies to improve the SSN issuance process (also known as *enumeration*) included the following:

Increasing reliance on evidence other than that submitted by the applicant: A program designed to assign SSNs based on data collected as part of the immigration process was implemented in 2004. Known as *enumeration-at-entry*, SSNs are assigned based on data collected as part of the immigration process, relying on information that has already been received and verified by DHS. Subsequently, SSA and the Departments of State and Homeland Security worked together to expand the program to other groups of aliens. In FY 2005 and continuing into FY 2006, SSA is working with State and DHS to further expand enumeration-at-entry to certain non-immigrants whose visas are generated by petitions from employers, and to non-immigrants in the United States who are applying for employment authorization documents.

Tightening other evidentiary requirements: SSA requires mandatory interviews for all SSN applicants age 12 or older. SSA also has made regulatory changes regarding the evidence required from applicants who are students admitted to the United States to pursue an education. These students also must provide evidence that they are entitled to on-campus employment in order to be assigned a SSN. This is in the form of either an employment authorization document from DHS or evidence from the school that identifies the employer and the nature of the employment.

Enhancing Verification processes: SSA has ongoing projects to improve SSN verification processes and is planning and developing additional improvements, such as providing fraud alert information and death information to additional users, as required by the *Intelligence Reform and Terrorism Protection Act* of 2004. SSA is also planning other enhancements to verification systems to include easier-to-use and more consistent responses, and tighter control of user access.

In April 2005, SSA opened its second Social Security Card Center in Las Vegas, Nevada to provide better public service and exercise better program stewardship by concentrating all SSN business within a particular service area in a single facility. The first Social Security Card Center has been operating in Brooklyn, New York since 2002. These facilities are staffed with highly trained specialists. All applicants living within geographic locations serviced by a Social Security Card Center must go to that Card Center to transact SSN business.

In March 2005, the use of a new program, the *SS-5 Assistant*, became mandatory. This is a mechanism through which Social Security card issuances are generated. (*SS-5* is the form an applicant completes for a new SSN or replacement card.) This new program addresses many of the limitations of the prior system and improves the quality of the Social Security card application process. The *SS-5 Assistant* program ensures that completed SSN applications are in compliance with policy requirements regarding evidence, verification and documentation.

SSA is committed to enhancing the stewardship of the SSN and card process to prevent vulnerabilities in the assignment and issuance processes. A new integrity review process was developed in November 2004 to target areas prone to fraud and abuse. During 2005, changes to documentation requirements and automation efforts, including the implementation of the *SS-5 Assistant*, increased the integrity and streamlined the Social Security card process. For security reasons, descriptions of these changes are not available to the general public. In July 2005, the selection process for issuances to be investigated was then updated to focus on the areas that are still susceptible to fraud and abuse within the SSN assignment and card issuance processes.

Addressing the Stewardship Challenges Through Increasing the Accuracy of Earnings Records

Maintaining accurate records of earnings is critical to effective stewardship of SSA's programs and resources. SSA uses earnings records to determine whether an individual has earned enough wage credits to be eligible for benefits, as well as the amount to be paid. Each year, about 96.5 percent of the 250 million wage items submitted annually by employers are initially assigned correctly to individual workers' records. The remaining items contain names or SSN that do not match an individual's record. SSA uses numerous electronic processes and works with employers and individuals to match these wage items to the correct records. Despite these efforts, approximately 3 percent of the wage items submitted to SSA still cannot be assigned to an individual earnings record. These earnings remain in the *Earnings Suspense File* while attempts continue to determine the correct individual earnings record. For those items posted to the suspense file the Agency has underway an extensive effort using sophisticated data matching and scoring techniques to post earnings to the correct record.

Examples of How SSA Actions Increase the Accuracy of Earnings Records

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

SSA provides employers with the *AccuWage* software application to identify most of the common format errors in wage submissions prior to electronically submitting the reports. SSA notifies employers who have submitted wage reports with a significant level of error, requesting that they provide corrected information to the Agency within 60 days. SSA maintains a comprehensive website designed especially for employers and the business community at <http://www.socialsecurity.gov/employer>.

In addition, SSA has an employer education campaign in place to tell employers about electronic reporting through promotional materials, conferences, articles for trade publications and direct contact. Included in the campaign are visits with large payroll service providers and other companies to educate and encourage them to report earnings electronically. SSA also encourages the use of the Agency's *Business Services Online* webpage, a suite of business services related to electronic wage reporting; and the ability of registered users to view the processing status, errors and error notices for their wage files and/or wage reports.

SSA continues to send out annual *Social Security Statements* to eligible individuals age 25 and over who are not yet in benefit status. Individuals are asked to review their earnings history for completeness and accuracy and to notify SSA if they believe any of the information is incorrect.

SSA gathers and analyzes baseline information concerning the effect of these initiatives on the accuracy of posted earnings and growth of the *Earnings Suspense File*. Based on this analysis, SSA continues to examine its key outcomes and strengthen its performance accordingly.

Addressing the Stewardship Challenges Through Efficiently Managing Agency Finances and Assets, and Effectively Linking Resources to Performance Outcomes

Three aspects of SSA's response to the **STEWARDSHIP** challenges also relate directly to the PMA. Discussions on *Budget and Performance Integration*, *Improved Financial Performance* and *Competitive Sourcing* can be found in the subsection beginning on page 46. The remaining initiatives, which relate both to Agency stewardship and challenges, are discussed in this section.

Examples of How SSA Actions Efficiently Manage Agency Finances and Assets and Effectively Link Resources to Performance Outcomes so Taxpayers are Assured:

- Tax dollars buy more and go further every year.
- Tax dollars are properly managed.
- Tax dollars are spent wisely and responsibly for the greatest public benefit.

SSA's stewardship initiatives include the following:

Management Information Improvements: Timely, useful and reliable data is necessary for internal and external decision-makers to support effective management. This includes performance evaluation, resource allocation, and workload prioritization. The responsibility for ensuring that performance and financial data are available, valid and reliable extends to all segments of the Agency.

The *Managerial Cost Accountability System* is considered a key enabler in monitoring and reporting on Agency progress toward achieving its strategic goals and objectives and tracking resource expenditures. This focuses on providing critical performance and financial information needed by managers and staff. The system processes a variety of data from widely dispersed Agency processes, programs, workloads and financial systems, and combines the data into a modern managerial accountability system. The system promotes performance accountability for the programs that SSA administers. For example, detailed managerial cost accountability information could be used to identify which of SSA's approximately 1,300 Field Offices has a particularly high production or efficiency rate, and hence lower costs per unit of work, for a particular workload. Best practices for processing that workload could then be identified and shared with all Field Offices.

The Agency's Security Plan: As required by the *Federal Information Security Management Act*, the *Security Plan* documents SSA's initiatives to develop, implement and maintain an Agency-wide security program. It is an essential part of ensuring the confidentiality and integrity of Agency data and the protection of SSA's large-scale computers. The plan covers continuous security controls in the following major areas:

- *Rules of Behavior and Personnel Controls* that 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. These controls also include criteria determined by the Office of Personnel Management to identify position-sensitive risk levels for automated information systems.
- *Training* that is a three-pronged program that includes basic awareness training for all employees, training adaptable for employee-specific needs and education for employees whose primary responsibility is security.
- *Incident Response Capability* includes a Security Response Team formed to address threats against the Agency's electronic systems and to assist the workforce with handling systems security incidents.
- *SSA's Risk Management Program* ensures a continual review of the automated systems critical to SSA's mission. SSA uses a number of approaches to satisfy risk management requirements, including risk analysis, risk management reviews, a consolidated integrity review process and a systems security life cycle process. Security personnel are included and consulted at each stage of systems development.

Contingency Planning and Disaster Recovery: SSA's contingency planning is designed to minimize the occurrence of situations that could compromise the confidentiality and integrity of Agency data, the availability of resources and the services needed to continue essential business operations. To ensure the continuity of essential operations 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* issued 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 and Physical Security Practices at SSA comply with the Federally-directed alert level mandated by the DHS. SSA identifies and addresses new vulnerabilities and replaces aging equipment when its shelf life ends. Additionally, expanded environmental health and safety programs ensure all Agency employees work in safe surroundings. Guards are on duty at all SSA offices during working hours. Agency practices also provide for education and resources committed to preventing accidents and exposures to potentially dangerous conditions, and to respond in the event of environmental health hazards or other dangerous situations.

The Agency Information Technology Infrastructure: The information technology infrastructure supports all of SSA's programmatic and administrative workloads. Most Agency service delivery channels rely on this sophisticated and complex basis of computer operations. The information technology policies provide for periodic hardware and software upgrades, technology refreshments and improved economies-of-scale in the information technology environment. The foundation of this aspect of Agency policy rests on three operational basics:

- *Availability* – Users have access to information technology services during the hours of operation of SSA's Field Offices, and toll-free telephone service is available to the public from 7 AM to 7 PM. Recorded information and services are available at the toll-free telephone service 24 hours a day. Online services and claims are available to the public from 5 AM to 1 AM Monday through Friday, 5 AM to 11 PM on Saturday and 8 AM to 11:30 PM on Sunday.
- *Stability* – The services are continuously available during expected access hours, barring even brief outages.
- *Maintainability* – Information technology hardware and software is widespread, critical production use is maintained at near-current release levels to ensure quality support service from vendors and suppliers.

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

For many years Social Security's Trustees have called for changes to be made to Social Security sooner rather than later to protect future generations. As the Required Supplemental Stewardship Information Section of the PAR (*see page 143*) shows, there is a present value shortfall of \$4 trillion over the 75-year period, which means Social Security would need \$4 trillion today earning interest to cover the 75-year shortfall. In 2017, Social Security benefit payments will exceed income and payroll taxes received. By 2041, if no changes are made, the Trust Fund will be exhausted and benefits would have to be cut by 26 percent in that year.

The aging of America and the future of Social Security are critical issues facing all Americans. In his 2005 State of the Union address, President Bush said:

One of America's most important institutions—a symbol of trust between generations—is also in need of wise and effective reform. ... And so we must join together to strengthen and save Social Security. ... We must make Social Security permanently sound, not leave that task for another day.

President George W. Bush, State of the Union Address, February 2, 2005

The Senate unanimously passed a resolution on March 15, 2005 that included the following:

It is the sense of the Senate that the President, the Congress, and the American people ... should work together at the earliest opportunity to enact legislation to achieve a solvent and permanently sustainable Social Security system.

(S. Con. Res. 18, CQ Vote #46: Adopted 100-0; R 55-0; D 44-0; 11-0, 3/15/05)

SSA's role in solvency is clearly stated in the Agency strategic objective: *Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs. Working with the Administration and Congress, SSA helps develop and review policy alternatives. SSA will continue to work with Congress and the Administration to support their efforts to resolve the program's long-term financial challenges.*

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support Social Security's mission

STAFF Challenge:

- Human Capital

Strategic STAFF Objective that Addresses the Challenge:

- Recruit, Develop and Retain a High-Performing Workforce

PMA Initiative Related to STAFF:

- Strategic Management of Human Capital

Addressing the Staff Challenge Through Recruiting, Developing and Retaining a High Performing Workforce

SSA has a staff of committed, creative and highly capable employees, who are the Agency's most critical asset in the maintaining the highest level of service to the public. In the very near future, it is anticipated that more than a third of SSA's employees will be retiring. The Agency's workloads are also expected to grow dramatically as the baby boom generation approaches their peak disability and retirement years. Consequently, the greatest organizational challenge facing SSA is to ensure that its workforce has the skills and tools necessary to process increasing workloads. In addition, the Agency needs to develop effective strategies that promote superior employee performance and encourage employee retention.

**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 public.
- Increase productivity that will save trust fund and general revenue monies.

Like the baby boomers in the general workforce, SSA employees will begin to retire in greater numbers. According to the Agency's 2005 *Retirement Wave Report*, 56 percent of the workforce will have reached retirement eligibility by the year 2014. Without effective planning and preparation, this anticipated wave of retirements can affect SSA's ability to maintain its current high level of service to the public. It could also result in a significant drain to the Agency's institutional knowledge and expertise.

SSA has initiatives in place to effectively manage escalating workload growth and the potential increase in employee retirements. The Agency employs a diverse array of tools and activities to maintain its high-performing workforce. It uses state-of-the-art automation in its many processes, emphasizes training and offers a large array of job enrichment and leadership development programs. The Agency employs strategic succession planning techniques and emphasizes the value of effective performance management systems that help managers make distinctions among individual levels of performance. Some of these strategies are summarized below:

Recruitment: SSA continues to use and expand personnel hiring flexibilities and hires about 10 percent of new employees from the ranks of outstanding scholars. In serving a diverse population, SSA successfully maintains a high degree of diversity in its workforce, and ensures that specific groups are not under-represented.

Retention: The Agency is continuously improving its human capital practices to guarantee talented managers and employees are available to implement important programs and enhance and protect the economic well-being of millions of Americans. SSA is investing resources in developing talented leaders who will positively influence organizational performance and workforce satisfaction. The Agency's national leadership development programs provide high-potential employees training, development, and support they need to prepare for increasingly responsible leadership roles. In FY 2005, SSA conducted two national leadership development programs—a Leadership Development Program for General Schedule (GS)-9 to 12 employees and an Advanced Leadership Program for GS-13 to 14 employees. SSA also announced a Senior Executive Service Career Development Program for GS-15 candidates nationwide, and encouraged and supported various regional and component-level development programs.

SSA is making significant gains in enhancing the skills of its new and mid-level managers who play key roles in ensuring performance improvements and employee retention. The Agency provided a number of classroom offerings for new supervisors in FY 2005. In an effort to strengthen the competencies of agency managers, field and headquarters staff worked together to pilot a new leadership symposium that develops the knowledge and skills of GS-14 and GS-15 mid-level managers.

Reaching Out to Staff: Employees have electronic access to information about personnel benefits and employee services at their desktops. This feature saves staff resources and promotes increased confidentiality of employee information. SSA continues to improve its successful employee suggestion program through a web-based, fully automated process that monetarily rewards employees commensurate with the value of their suggestions.

New Labor Agreement: SSA and the American Federation of Government Employees negotiated a new *National Agreement*, effective August 2005 that covers approximately 51,000 Agency employees. Negotiations for new term agreements with the National Treasury Employees Union, covering approximately 800 Agency employees, and with the International Federation of Professional and Technical Engineers, representing 1,100 ALJs will likely occur in 2006. SSA is committed to achieving negotiated agreements with all the unions that will both benefit its dedicated

workforce and provide the Agency the flexibility to manage its delivery of high-quality service expected by the public.

Performance Culture: Efforts to link employee performance to the Agency mission and goals is an ongoing priority. The alignment of employee performance with Agency mission and strategic goals will be measured through a new, multi-level performance appraisal program for all employees below the GS-15 level and for GS-15 employees in the bargaining unit. Activities involved in developing a new employee appraisal program include communicating expectations, encouraging excellence, providing development opportunities, measuring results, making distinctions among levels of performance and rewarding achievements. The new appraisal program will foster an Agency culture that encourages ongoing interaction and communication between the manager and employee on staff performance and measure the employee's contribution to the team effort that is needed to achieve the Agency's public service mission.

Strategic Competencies and Knowledge Management: SSA continues to create an environment that fosters effective knowledge management. Included among our knowledge management strategies are succession analysis, collection and analysis of baseline training data, filling positions before vacancies occur and employing the use of understudies in targeted critical positions.

Training: SSA uses a combination of advanced technology and traditional training methodologies. In addition to classroom training, the Agency provides interactive video tele-training (or interactive video training), and computer-based training via the Intranet and Internet. In 2005, SSA increased its online training offerings by migrating from the Agency's Online University to the government-wide *USALearn* site. SSA's employees are now able to access over 2,000 courses on the Agency's *GoLearn* website. Additionally, as an ongoing priority, SSA continues to develop competency-based training for targeted mission-critical positions.

Providing Employees with Better Tools: SSA continues to develop efficient and user friendly tools to enable employees to accomplish their tasks and better serve the public. Employees have online access to personnel, payroll and training data, video conferencing and automated case processing systems that support increased productivity. The workforce has become proficient in the use and application of technology resulting in a more satisfied employee providing quality service to an ever increasing beneficiary base.

The President's Management Agenda

The PMA was launched in August 2001 as a strategy for improving the management and performance of the Federal government. It focuses on the areas where deficiencies are most apparent and where the government can begin to deliver concrete, measurable results. The PMA includes five government-wide initiatives and 10 program-specific initiatives that apply to a subset of Federal agencies. It is helping departments and agencies to be more results-oriented in their performance.

The five key government-wide initiatives are:

Strategic Management of Human Capital: having processes in place to ensure the right person is in the right job, at the right time, and who is not only performing, but performing well.

Competitive Sourcing: regularly examining commercial activities performed by the government to determine whether it is more efficient to obtain such services from Federal employees or from the private sector.

Improved Financial Performance: accurately accounting for the taxpayers' money and providing timely and accurate program cost information to inform management decisions and control costs.

Expanded Electronic Government: ensuring that the Federal government's annual investment in information technology significantly improves its ability to serve the public, and that information technology systems are secure, and delivered on time and on budget.





















































Budget and Performance Integration: ensuring that performance is routinely considered in funding and management decisions, and programs achieve expected results and work toward continual improvement.

For each initiative, the PMA establishes clear, government-wide goals from which agencies then develop and implement detailed, aggressive action plans to achieve those goals. Most importantly, agencies are held publicly accountable for adopting these disciplines. To that end, a simple grading system of “green” (the highest score), “yellow” and “red” (the lowest score) was developed. Each quarter, agencies are rated on their status in achieving the overall goals for each initiative and on their progress in implementing their action plans.

In addition to the five key initiatives, SSA is involved in the PMA program initiative, *Eliminating Improper Payments*. An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives an incorrect amount of funds, or the recipient uses the funds in an improper manner. Based on 2004 audit estimates, Federal agencies made more than \$45.1 billion in improper payments in FY 2004. This new initiative requires agencies to measure their improper payments on an annual basis, develop improvement targets and corrective actions, and track the results annually to ensure the corrective actions are effective.

As shown in the chart below, SSA’s performance under the PMA has steadily moved toward “green” status. As of September 30, 2005, the Agency scored “green” for status on three of five government-wide items, and “green” for progress in implementation of five of five government-wide items. SSA has also earned “yellow” for status and “green” for progress for the program initiative, *Eliminate Improper Payments*.

SSA’s President’s Management Agenda Scorecard

	Human Capital	Competitive Sourcing	Improve Financial Management	e- Government	Budget/ Performance Integration	Eliminating Improper Payments
	Status / Progress	Status / Progress	Status / Progress	Status / Progress	Status / Progress	Status / Progress
9/30/01	 / 	 / 	 / 	 / 	 / 	/
9/30/02	 / 	 / 	 / 	 / 	 / 	/
9/30/03	 / 	 / 	 / 	 / 	 / 	/
9/30/04	 / 	 / 	 / 	 / 	 / 	/
9/30/05	 / 	 / 	 / 	 / 	 / 	 / 

Highlights of Financial Position

Overview of Financial Data

SSA's financial statements and footnotes appear on pages 115 through 161. The financial statements presented in this report received an unqualified opinion from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the programs administered by SSA. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate 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.

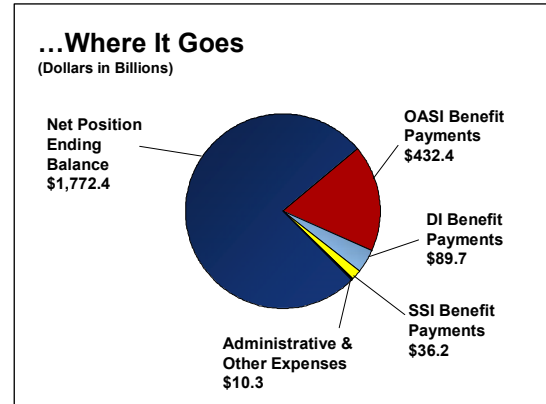
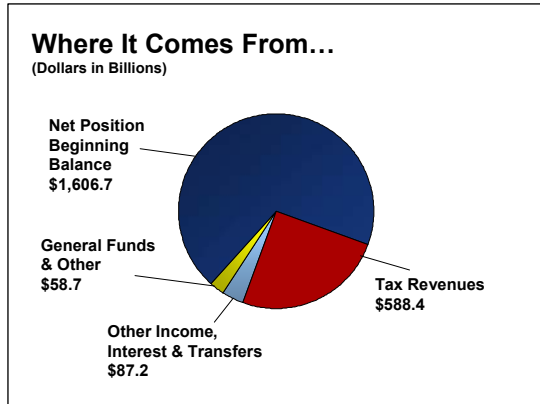
Balance Sheet: The Balance Sheet displayed on page 116 reflects total assets of \$1,847 billion, a 10.7 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$174 billion growth (10.6 percent) in investments from 2004 is primarily due to tax revenues of \$588.4 billion and interest on those investments of \$93 billion, exceeding the cost of operations of \$568.2 billion. The majority of our liabilities, 82 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 2005 by \$12.4 billion (20 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$165.7 billion or 10.3 percent to \$1,772.4 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 53.4 percent of the growth of the trust funds, down from 57.9 percent in 2004.

Statement of Net Cost: Net cost of operations increased \$36.8 billion or 6.9 percent from \$531.4 billion in 2004 to \$568.2 billion in 2005. Of this increase, \$35.5 billion (6.8 percent growth) resulted from increased benefit payments and \$1.3 billion (14.5 percent growth) resulted from operating expenses. Operating expenses increased due to expenditures incurred in FY 2005 for the Medicare Prescription Drug Program and increased charges for the Internal Revenue Service's administration of certain trust fund activities. The net cost and benefit payments of the OASI program grew 4.9 percent and 4.8 percent, respectively while operating expenses grew by 17.1 percent. The number of OASI beneficiaries grew 1 percent to 40 million while average benefit payments grew by 3.7 percent to \$901 per month. The net cost and benefit payments of the DI program grew 19.1 percent and 19.4 percent, respectively. Operating expenses grew by 8.9 percent. The number of DI beneficiaries grew by 5.0 percent while average benefits increased 4.1 percent to \$763 per month.

The net cost and benefit payments of the SSI program grew 3.2 percent and 2.9 percent, respectively. Operating expenses grew by 7.3 percent. The number of SSI beneficiaries grew by 1.2 percent while average benefits increased by 2.7 percent to \$579 per month. The operating expenses of the Other program grew by 35.2 percent. This increase is primarily due to expenditures related to the Medicare Prescription Drug Program.

Statement of Changes in Net Position: The Statement of Changes in Net Position reflects an increase of \$165.7 billion. This increase is primarily attributable to a \$174 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 2005 and how these funds were used. These statements are displayed on pages 117 and 118, 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 1.8 percent. Total financing sources grew by \$49.6 billion or 7.2 percent from \$684.4 billion in 2004 to \$733.9 billion in 2005. The primary sources for this growth were a payroll and income tax revenue increase of \$43.1 billion (7.9 percent) from 2004 due to a continuing improvement in the United States' economy and investment income of \$5.4 billion (6.1 percent) from 2004. The growth in investment income was due to the 10.6 percent growth in investment which was partially offset by the drop of average interest yield from 6.25 percent to 6.15 percent.

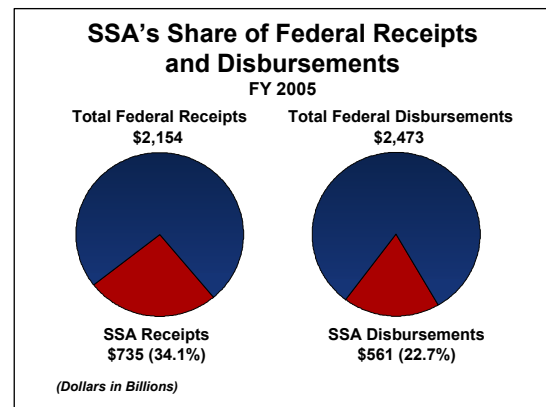


Statement of Budgetary Resources: This statement displayed on page 119 shows that SSA had \$605.4 billion in budgetary resources of which \$1.8 billion remained unobligated at year-end. SSA recorded total outlays of \$561.3 billion by the end of the year. Budgetary resources grew \$42.5 billion, or 7.5 percent from 2004, while outlays increased \$31.1 billion, or 5.9 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. It is the bridge between an entity’s budgetary and financial accounting by identifying the change in activity from one period to another. The statement displayed on page 120 identifies \$570.4 billion in budgetary spending for FY 2005, an increase of \$39.8 billion or 7.5 percent over last year. This total is increased by \$3.4 billion in resources not part of the net cost of operations, and is increased by \$1.2 billion in components of net cost of operations that will not require or generate resources in the current period. The resulting balance reflects a \$568.2 billion net cost of operations for the year, an increase of \$36.8 billion or 6.9 percent over FY 2004.

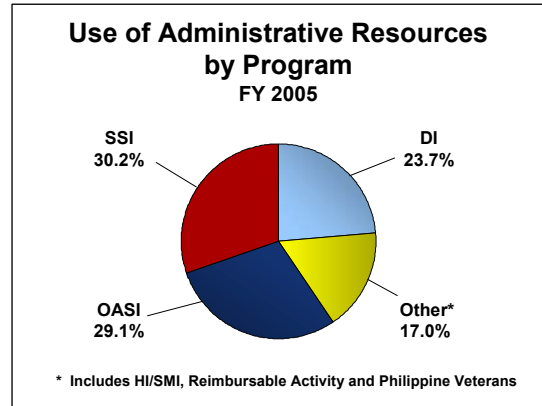
SSA’s Share of Federal Operations

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 34.1 percent of the \$2.2 trillion in total Federal receipts, a decrease of 2.1 percent over last year as Federal income tax collections grew more rapidly than payroll taxes. Disbursements stayed the same at 22.7 percent of Federal disbursements.



Use of Administrative Resources

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2005 in terms of the programs SSA administers or supports. Although the DI program comprises only 16.1 percent of the total benefit payments made by SSA, it consumes 23.7 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.5 percent of the total benefit payments made by SSA, it consumes 30.2 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 2004 use of administrative resources by program was 28.5 percent for the OASI program, 24.9 percent for the DI program, 32.2 percent for the SSI program and 14.9 percent for Other.



Trust Fund Solvency

Pay-as-you-go Financing

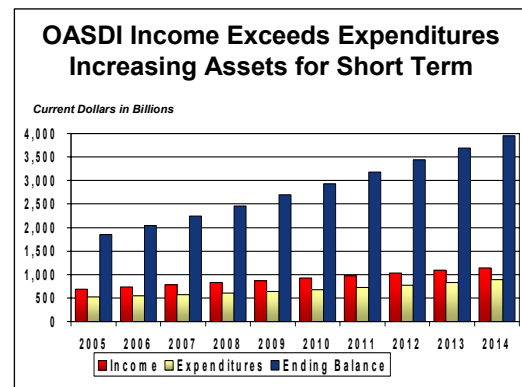
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis as long as assets are sufficient to finance program obligations. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. In recent years, current income has exceeded program obligations, 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 30.8 months at the end of FY 2001 to 39.8 months at the end of FY 2005, an increase of 29 percent.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	2001	2002	2003	2004	2005 ¹
OASI	31.8	35.0	37.8	40.0	42.7
DI	24.6	25.9	26.2	25.8	25.6
Combined	30.8	33.6	35.9	37.7	39.8

1. Estimates are based on 2005 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 calendar year are at least as large as program obligations for the year. Estimates in the 2005 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. Under the intermediate assumptions of the 2005 Trustees Report, estimated expenditures and income in 2014 are 77 percent and 74 percent higher than the corresponding amounts in 2004 (\$502 billion and \$658 billion, respectively). From the end of 2004 to the end of 2014, assets are expected to grow by 134 percent, from \$1.7 trillion to \$4.0 trillion.



Long Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2017, program cost will exceed tax revenues, and, in 2041, the 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 rates well below historical levels. In present value terms, the 75 year shortfall is \$4.0 trillion, which is about 2 percent of taxable payroll and about 0.6 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed -- singularly or in combination with each other -- are (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues or (4) increasing returns through either personal savings accounts or direct investments of the trust funds.

Page 44 provides additional discussion of the long term solvency of the OASDI Trust Fund. Pages 143 through 161 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, Accounting for Social Insurance.

Limitation on Financial Statements

The principal financial statements beginning on page 116 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. SSA senior level executives are required to submit to the Commissioner of Social Security an annual assurance statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require they be reported to the President and the Congress, or a statement indicating that such assurance could not be provided. For FY 2005, all the assurance statements provided positive assurance. This executive accountability assurance provides 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 judgment of the regional security personnel. During FY 2005, SSA's managers and contractors conducted reviews of 205 FOs (15%) and 6 Program Service Centers (PSC) (100%). During FY 2005, SSA's Office of Hearings and Appeals (OHA) and an independent contractor conducted reviews of 48 OHA offices (34%). The contractor also provided recommendations on ways to strengthen the OHA Management Control Review Program.

SSA has also taken great strides to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). During FY 2005, updated security policy and guidelines were issued to the DDS's. The DDSs perform annual security self-reviews using the guidelines and checklist from the DDS Security Document. 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 2005, SSA conducted reviews of 15 DDS sites (23%).

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, selected ROs, 24-30 FOs, selected PSCs, and selected DDS's. The contractor's efforts have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems (FMS) Review Program

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

During FY 2005, SSA's contractor conducted detailed reviews of SSA's Earnings Records Maintenance System, Social Security Online Accounting and Reporting System, and Supply System. 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.

Financial Statement Audit

The OIG contracted for the audit of SSA's FY 2005 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, and the internal control report did not include any internal control deficiencies.

Federal Financial Management Improvement Act

On May 6, 2005, the Commissioner determined that SSA's financial management systems were in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) for FY 2004. In making this determination, she considered all the information available, including the auditor's opinion on the Agency's FY 2004 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.

Under Section 803(c)(2) of FFMIA, the determination for FY 2005 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 2005 audit in February 2006.

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 7, 2005.

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 agencies have accurate and timely financial information to manage cost and inform decision-making.

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 (the highest score) for the Improved Financial Performance initiative, they must satisfy the following standards for success:

- Meets all yellow standards for success by:
 - Receiving an unqualified opinion on its financial statements
 - Meeting financial statement reporting deadlines
 - Reporting in its audited annual financial statements that its systems are in compliance with the FFMIA
 - Having no chronic or significant Anti-Deficiency Act Violations

- Having no material auditor-reported internal control weaknesses
- Having no material non-compliance with laws or regulations
- Having no material weaknesses or non-conformances reported under FMFIA.
- Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations.
- Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.

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.

In addition to efforts related to the PMA, SSA is aggressively working to ensure compliance with the recently revised OMB Circular A-123, Management's Responsibility for Internal Control. Beginning in FY 2006, the circular requires that the internal controls that support the financial reporting process are documented and tested to allow management to make an assertion regarding the effectiveness of these internal controls. SSA has documented the financial reporting process, determined the most significant risks, as well as the controls in place to mitigate these risks and developed a test plan to test the effectiveness of these controls. This information as well as the results of the review programs discussed on the preceding pages of the Systems and Controls section will serve as the basis for the required assertion on the internal controls over financial reporting as of September 30, 2006.

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 access 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. 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 integrate workload counts, processing times, and administrative cost data at all levels of the organization. This data will be used to calculate unit cost and productivity management information for the Agency's programs down to the office level to support strategic decision making.

SSA's core accounting system is in compliance with all OMB requirements, incorporates commercial best practices and includes the Agency's core accounting functions. The system interfaces with administrative systems to enhance the Agency's ability to soundly manage assets and we will continue to invest in infrastructure needed to sustain superior performance into the future.

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 required due dates and met the required delivery date for the FY 2005 PAR. 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 twelve successive unqualified, or clean, opinions on our annual financial statements.

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 2005, 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 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. During FY 2005, SSA upgraded SSOARS to implement the OMB requirement related to Central Contractor Registration functionality. Prospectively, SSA is conducting research to determine the viability of applying to become a Financial Management Center of Excellence.

Improper Payments Information Act of 2002

Narrative Summary of Implementation Efforts for FY 2005 and Agency Plans for FY 2006-FY 2008

Background

A key component of the PMA 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 OMB Circular A-11.

OMB guidance on implementation of IPIA calls for SSA to continue to report on improper payments information for the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs, in addition to the Supplemental Security Income (SSI) program, as was required by Section 57 of OMB Circular A-11. SSA is 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 2005 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 2005 report includes results for FY 2004. Please refer to the *Appendix* for a detailed report of the FY 2004 results and plans to reduce improper payments.

Since 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. Results from the contractor did not indicate any significant recovery activity. Only .001 percent, or about \$49,000, of the \$3.3 billion payments reviewed was deemed improper and collected. The vendor concluded their review in December 2004. SSA then established an in-house recovery auditing program. 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 FY 2004 Old-Age, Survivors and Disability Insurance (OASDI) accuracy rate continues to be at a significantly high level; 99.5 percent for overpayments and 99.8 percent for 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 2004, SSI payment accuracy results were 93.6 percent for overpayments and 98.7 percent for underpayments. The major causes of SSI overpayments in FY 2004 were wages and financial accounts (such as savings and checking accounts). The major causes of SSI underpayments in FY 2004 were wages, living arrangements, and in-kind support and maintenance.

OASDI Improper Payment Initiatives

- A Substantial Gainful Activity software tool, called eWork, is available in every field office to ensure proper handling of SGA cases. In addition, SSA is pursuing a pilot with the Office of Child Support and Enforcement's (OCSE) "new hires" file as well as a study of SSA's internal alert process to investigate substantial earnings.
- The Agency is working with State governments to improve the current paper-based process to report death data. Electronic Death Registration (EDR), a web-based automation of the death registration process, would provide timely and accurate death data. Currently, SSA has awarded EDR development contracts to 22 States and 7 States and the District of Columbia have implemented EDR.
- For the past several years, SSA implemented initiatives to correct computation errors in benefit payments. SSA is in the process of developing automated capabilities that will further prevent, identify and correct computation errors.

- Improvements were made to wage and self-employment earnings reports by modifying the Social Security Statement and increasing electronic filing of W-2's. In addition, the Social Security Number Verification System was implemented nationally in June 2005 providing employers a web-based vehicle in which to verify names and SSN's of employees for wage reporting purposes.
- Correction of workers compensation errors, the third leading cause of OASDI underpayments for FY's 2003 and 2004, continues through dedication of SSA's Operations staff to rework affected cases and exploring possible data exchanges.

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. Based upon the results of the first test, SSA will conduct a second test using a different authentication process. Results of the second test will determine whether to proceed with this technology that offers the opportunity to prevent SSI wage overpayments estimated at \$398 million in FY 2004.
- In addition, SSA is working to streamline the SSI wage documentation requirements. In January 2005, a year long test began in selected service areas to utilize a centralized unit to process wage reports mailed by SSI recipients and deemors; i.e., ineligible spouses and parents.
- 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. The proof of concept demonstrated the financial community's support of this process. In addition, verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. In February 2005, SSA initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The data gathering of this study concluded in FY 2005. Study analysis and reporting will occur in the second quarter of FY 2006 whereby the results will be used to increase the effectiveness and efficiency of a future national electronic verification process. SSI financial account issues accounted for a projected \$369 million in overpayment deficiencies for FY 2004.
- Effective January 2001, SSA began using online queries to access 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.



Performance

Section



Agency Performance

Summary of FY 2005 Performance

The following summarizes the Social Security Administration's (SSA) achievements toward reaching its targets for the performance measures specified in its *Revised Final Performance Plan for Fiscal Year 2005*. In cases where end-of-year data are not available, estimated performance is shown along with an indication of when the final data will be available. Similarly, for those measures where end-of-year estimates were used in the last *Performance and Accountability Report (PAR)*, final data are displayed in the "trend" section of the particular measure. For milestones and new performance measures, there is a discussion section in place of a chart or trend section.

For the 31 measures for which end-of-year data were available, SSA met 22 of the goals, or 71 percent, and almost met an additional 3 goals or 10 percent – a total of 81 percent for these two categories. The Agency did not meet 6 of its goals, which represents 19 percent of the performance measures where actual data were available—the same percentage of goals not met in FY 2004. The term *almost met* refers to instances where SSA came within 95 percent of the goal. For goals stated in whole numbers, actual numbers have been rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those that are .4 or less. In instances where the goal is shown as a decimal, the actual number is also reported as a decimal.




The performance data presented in this section are in accordance with the guidance provided by the Office of Management and Budget (OMB) Circular No. A-11 and A-136. The *Data Quality* discussion in the *Overview of Key Performance Indicators, Goals and Results* section (page 20) describes continuing efforts to strengthen the quality and timeliness of SSA's performance information in order to increase its value to SSA's management and interested parties. Agency managers routinely use this performance data to improve the quality of program management and to demonstrate accountability in achieving program results.

Status of FY 2005 Performance Measures by Goal and Objective

The tables on the following pages provide an overview of SSA's performance measures and show which goals or targets were met, almost met, or not met. The measures are organized under the objectives they support. The objectives are those specified in SSA's *Strategic Plan for FY 2003 – FY 2008* and the *Revised Final Performance Plan for Fiscal Year 2005*. The strategic plan is updated every 3 years, with a revised plan scheduled for release in the spring of 2006 or earlier.

Agency Performance Summary

Key:












-  **Target met**
-  **Target almost met (within 95 percent of the goal)**
-  **Target not met**
- N/A Not (yet) available**

KPI – Denotes one of the Agency’s 14 Key Performance Indicators

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

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

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
1.1a KPI Number of initial disability claims processed by the Disability Determination Services (DDS)	2,677,000	2,617,231 ¹		67
1.1b KPI Maintain the number of initial disability claims pending in the DDS (at or below the FY 2005/2006 goal)	592,000	560,529		68
1.1c KPI Number of SSA hearings processed	525,000	519,359 ²		69
1.1d KPI Maintain the number of SSA hearings pending (at or below the FY 2005/2006 goal)	714,000	708,164		69
1.1e KPI Number of appellate actions processed	1,158,412	1,043,807		70
1.1f KPI Average processing time for initial disability claims	93 days	93 days		71
1.1g KPI Average processing time for hearings	442 days	415 days		72
1.1h KPI Reduce the average number of days needed to process hearings appeals	250 days	242 days		73
1.1i KPI DDS net accuracy rate (allowances and denials combined)	97%	96% <small>ESTIMATED</small>		74
1.1j KPI Disability hearings accuracy rate	90%	90% <small>ESTIMATED</small>		75
1.1k KPI Agency decisional accuracy (ADA) rate	97%	97% <small>ESTIMATED</small>		76

¹ The volume of initial disability claims received was lower than anticipated and DDSs were unable to maintain previous levels of productivity due to the transition to eDib.

² Resources were redirected to processing Medicare only hearings to expedite the transfer of that workload to The Centers for Medicare and Medicaid Services (CMS).

Summary of Results: SSA met or almost met all but one of the goals associated with this objective. Detailed information of these successes can be found in the sections pertaining to each performance measure. The primary reason the one goal was not met was due to the decrease in the number of reconsiderations and court remands received. Also, the number of initial claims received was lower than anticipated and resources were redirected to processing Medicare only hearings.

Strategic Objective 1.2: Increase employment for people with disabilities

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
1.2a Number of DI and SSI beneficiaries, with tickets assigned, who work (over CY 2003 baseline of 14,052)	19,673*	N/A ESTIMATED TO BE MET	↑	77
1.2b Number of SSI disabled beneficiaries earning at least \$100 per month	255,637 5%	240,465 ESTIMATED	↓	78

Summary of Results: SSA anticipates that it will meet one of the goals associated with this objective and not meet the remaining goal. The Ticket-to-Work program provides beneficiaries with disabilities expanded options for access to employment services, vocational rehabilitation services, and other support services to help them work and reach their employment goals. In 2005, SSA conducted numerous promotional activities to increase participation in the Ticket-to-Work through:

- Encouraging Employment Networks and prospective Employment Networks to assist disability beneficiaries in finding and holding jobs;
- Conducting outreach and marketing activities to educate the public about programs and services that facilitate entry into the workforce; and,
- Partnering with other public and private groups to remove employment barriers for people with disabilities.

*The calendar year (CY) 2003 baseline was initially established in February 2004 and the results did not reflect the full number of beneficiaries with tickets, who worked in CY 2003. The CY 2003 and CY 2004 totals obtained in June 2005 resulted in more accurate data for both CY 2003 and CY 2004. Further, they are based on nationwide implementation and reflect the assistance of Social Security’s Area Work Incentive Coordinators with outreach and marketing. By changing the report month from February to June of the following year, a more complete record of CY 2003 and CY 2004 wages posted to the Disability Claims File was obtained. This change will provide more accurate information for subsequent years. The change in the CY 2003 baseline affects the CY 2005 goal. See page 77 for additional information.

Strategic Objective 1.3: Improve service through technology

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
1.3a Retirement and Survivor Insurance (RSI) claims processed	3,458,000	3,762,977	↑	79
1.3b Optimize the speed in answering 800-number calls	330 seconds	296 seconds	↑	79
1.3c Optimize the 800-number Agent busy rate	10%	10%	↑	80
1.3d Increase the usage of electronic entitlement and supporting actions KPI	120% over FY '03 baseline	471.1%	↑	81
1.3e Increase the percent of employee reports (W-2 forms) filed electronically KPI	60%	66.%	↑	82

1.3f KPI	Percent of individuals who do business with SSA rating the overall service as “excellent,” “very good,” or “good”	83%	85%	↑	83
1.3g	Improve workload information using <i>Social Security Unified Measurement System (SUMS)</i>	46%	42%	↓	84

Summary of Results: SSA met six of the goals associated with this objective and did not meet one of the goals. The Agency continues to promote efficient use of the Internet for filing benefit applications and processing post-entitlement actions. SSA also continues to support the employer community in its efforts to convert to electronic wage report filing. Increased telephone network efficiency helped meet increased workload demands.

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

Strategic Objective 2.1: Prevent fraudulent and improper payments and improve debt management

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#	
2.1a KPI	SSI non-disability redeterminations	1,696,000	1,724,875	↑	85
2.1b KPI	Periodic CDRs processed	1,384,000	1,515,477	↑	86
2.1c	Percent of SSI payments free of preventable overpayment (O/P) and underpayment (U/P)	94.9% (O/P) 98.8% (U/P)	93.6% (O/P) 98.7% (U/P) <i>ESTIMATED</i>	↔	87
2.1d	Percent of outstanding SSI debt in a collection arrangement	53%	53%	↑	88
2.1e	Percent of OASDI payments free of O/P and U/P	99.8% (O/P) 99.8% (U/P)	99.8% (O/P) 99.8% (U/P) <i>ESTIMATED</i>	↑	89
2.1f	Percent of outstanding OASDI debt in a collection arrangement	42%	42%	↑	90

Summary of Results: SSA met or almost met all of the goals associated with this objective. The timely processing of redeterminations and Continuing Disability Reviews (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 O/Ps.

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN)

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#	
2.2a	Percent of SSNs issued that are free of critical error	99.8%	99% <i>ESTIMATED</i>	↔	91
2.2b	Process 99 percent of SSN requests received	99%	Not available	↑*	93

* This goal has been considered “met” by virtue of a zero pending figure at the end of the fiscal year. Technically, the receipt of an SSN request is not counted until the request is processed. The goal will be converted to a numeric goal in FY 2006.

Summary of Results: SSA met one goal and almost met the other goal associated with this objective. The decrease in the current accuracy rate of SSNs issued free of critical error is due almost entirely to the change in the definition of critical error.

Strategic Objective 2.3: Increase the accuracy of earnings records

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
2.3a Process 99 percent of annual earnings items received	99%	100%	↑	93
2.3b Increase the percent of incoming earnings items removed from the earnings suspense file for a new tax year	5%	2%	↓	94

Summary of Results: SSA met one goal associated with this objective and did not meet the other goal. New editing and screening mechanisms related to electronic wage reporting is expected to decrease the number of new items going into the earnings suspense file.

Strategic Objective 2.4: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page #
2.4a Increase Agency productivity by 2 percent annually on average	2%	2.7%	↑	95
2.4b Disability Determination Service (DDS) cases processed per workyear (PPWY) KPI	278	260 ³	↓	96
2.4c Number of SSA hearings cases processed per workyear (PPWY)	103	102	↔	97
2.4d Maintain zero outside infiltrations of SSA's programmatic mainframes	0	0	↑	98
2.4e Enhance efforts to improve financial performance using Managerial Cost Accountability System (MCAS)	15%	5%	↓	99
2.4f Receive an unqualified opinion on SSA's financial statements from the auditors	Receive unqualified opinion	yes	↑	100
2.4g Get to "green" on four of five President's Management Agenda (PMA) initiatives KPI	Maintain "Green" on four of five PMA initiatives	"Green" on three of five PMA initiatives	↓	100

Summary of Results: SSA met or almost met four of the goals associated with this objective and did not meet three of the goals. There were notable successes. For example, the Agency exceeded its productivity goal and maintained its record of zero outside infiltrations of its programmatic mainframes. In addition, SSA once again received an unqualified opinion on its financial statements.

³ SSA was not able to meet this goal due to training, the learning curve and transition to new business processes with the implementation of the new electronic disability (eDib) claims process.

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

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

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
3.1a KPI Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Milestone	Completed	↑	102
3.1b Measure the public's knowledge of Social Security programs and related issues, including long-range financing	Milestone	Discontinued	N/A	103
3.1c Issue annual SSA-initiated <i>Social Security Statements</i> to eligible individuals ages 25 and older	100%	100%	↑	103

Summary of Results: SSA met two of the goals associated with this objective. The Agency provided the Administration and Congress with a wide range of analyses on solvency issues and reform legislation.

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support Social Security's mission

Strategic Objective 4: Recruit, develop, and retain a high-performing workforce

Performance Indicator	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
4.1a Minimize skill and knowledge gaps in mission-critical positions	Milestone	Completed	↑	104
4.1b Align employee performance with Agency mission and strategic goals	Milestone	Delayed	N/A	105

Summary of Results: SSA met one of the performance goals for this objective. In August 2005, SSA and the American Federation of Government Employees (AFGE) reached an agreement on a new 4-year National Agreement. Because of the complexity of the negotiated changes to the performance management process and related subjects for AFGE-covered employees, implementation of the provisions of the 2005 National Agreement regarding performance assessments is delayed until FY 2006.

Program Assessment Rating Tool (PART) Measures

Measure	FY 2005 Goal	FY 2005 Actual	Goal Met?	See Page#
Average processing time for initial disability claims	93 days	93 days	↑	71
Average processing time for hearings	442 days	415 days	↑	72
Disability Determination Service (DDS) net accuracy rate (allowances and denials combined)	97%	96% ESTIMATED	↗	74
Number of DI and SSI beneficiaries, with tickets assigned, who work (over CY 2003 baseline of 14,052)	19,673*	N/A ESTIMATED TO BE MET	↑	77
Percent of SSI payments free of preventable overpayments	94.9%	93.6% ESTIMATED	↗	87
Percent of SSI payments free of preventable underpayments	98.8%	98.7% ESTIMATED	↗	87
Disability Determination Services (DDS) cases processed per workyear (PPWY)	278	260	↓	96
Number of SSA hearings cases processed per workyear (PPWY)	103	102	↗	97
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	75%	88%	↑	106

[Note: Not a performance measure for the Annual Performance Plan (APP)]

*The CY 2003 baseline was initially obtained in February 2004 and the results did not reflect the full number of beneficiaries with tickets, who worked in CY 2003. The CY 2003 and CY 2004 totals obtained in June 2005 resulted in more accurate data for both CY 2003 and CY 2004. Further, they are based on nationwide implementation and reflect the assistance of Social Security's Area Work Incentive Coordinators with outreach and marketing. By changing the report month from February to June of the following year, a more complete record of CY 2003 and CY 2004 wages posted to the Disability Claims File was obtained. This change will provide more accurate information for subsequent years. The change in the CY 2003 baseline affects the CY 2005 goal.

Summary of Results: SSA met or almost met eight of the goals associated with the PART and did not meet one of the goals. There were notable successes in FY 2005. Detailed information on these successes can be found in the sections pertaining to each performance measure.

Individual Performance Measure Results

This section reports SSA's FY 2005 performance for each individual performance and PART measure. Also reported are final FY 2004 data for those performance measures for which final data was not available when the FY 2004 PAR was submitted. For each performance measure, this section includes the FY 2005 goal, the actual performance achieved, whether the goal was met, and if the goal was not met, an explanation as to why and what actions the Agency will take toward improvement. Established measures include historical data and trend charts. For new and revised measures, historical and trend information is not provided.

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

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

1.1a — Number of initial disability claims processed by the Disability Determination Services (DDS)

FY 2005 Goal: 2,677,000

Performance: 2,617,231

Goal Met: Almost

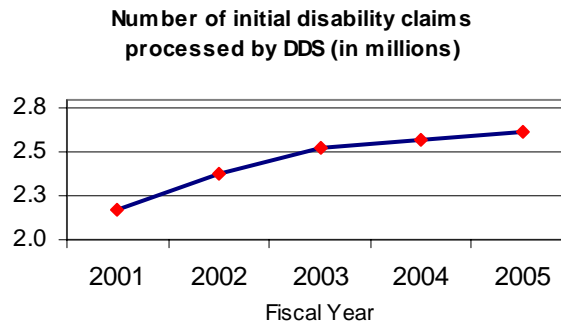
Discussion: The number of disability claims processed by the DDS has steadily increased each year from 2001 through 2005. SSA almost met this goal in FY 2005, while meeting or exceeding the goal in prior years. The 2.6 million initial disability claims processed by the DDS in FY 2005 was the second highest total in SSA's history, exceeding the FY 2004 total disability claims processed by 42,000.

Two factors affected the number of claims processed. First, the number of initial disability claims received in FY 2005 was lower than anticipated, which affected the number of claims to be processed. Further, during the transition to the new electronic disability (eDib) process, the DDSs were unable to maintain previous levels of productivity. This was due to implemented changes in business processes and systems enhancements, start-up activities, training, learning curve, and working simultaneously in the old and new process, which prevented SSA from further increasing the number of claims processed to achieve this goal.

The Agency continues to develop and enhance new approaches to the disability claims process, including the eDib process. The Agency anticipates improvements in processing time and productivity as the new process is fully implemented and staff overcomes the learning curve. The new process will be more efficient for claimants and SSA and will allow the Agency to process more claims.

Trend:

Fiscal Year	Performance	Goal Met?
2001	2,166,623	n/a
2002	2,376,572	n/a
2003	2,526,020	↑
2004	2,574,848	↑
2005	2,617,231	↘



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

Data Source: National Disability Determination Services System.

1.1b — Maintain the number of initial disability claims pending in the DDS (at or below the FY 2005/2006 goal)

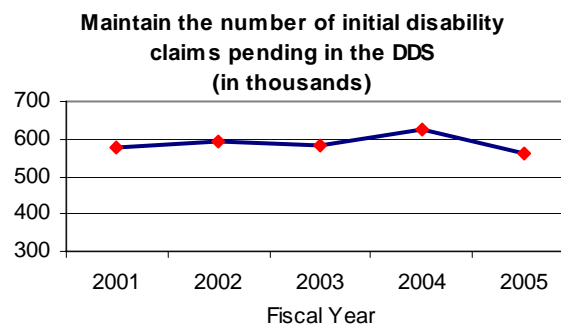
FY 2005 Goal: 592,000
Performance: 560,529
Goal Met: Yes

Discussion: In FY 2005, Social Security was able to meet and surpass the initial disability claims pending goal. Despite the reduction in productivity caused by the learning curve needed to fully utilize the eDib process, SSA met this goal by reprioritizing workloads, reallocating resources, and maximizing overtime. The unanticipated decrease in initial disability claim receipts also contributed to the decrease in pending caseloads.

As the DDSs work through the learning curve associated with eDib and the changes in SSA’s approach to processing disability claims, unnecessary steps in processing will be eliminated and delays inherent in mailing, requesting and retrieving evidence, and locating and organizing paper folders will be reduced. Because the new initiatives will allow SSA to process claims more quickly, the Agency anticipates a continuing reduction in pending levels in the near future.

Trend:

Fiscal Year	Performance	Goal Met?
2001	578,524	n/a
2002	592,692	n/a
2003	581,929	↑
2004	624,658	↓
2005	560,529	↑



Note: In SSA’s FY 2004 PAR, this measure was termed *Number of initial disability claims pending*.

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

Data Source: National Disability Determination Services System.

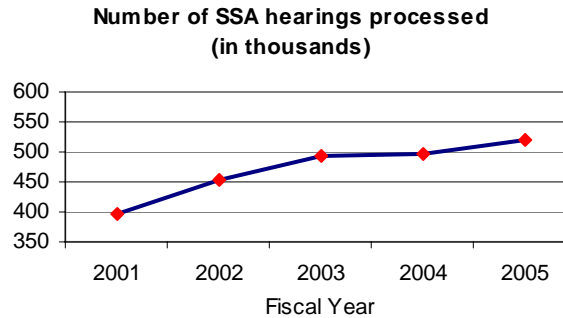
1.1c — Number of SSA hearings processed

FY 2005 Goal: 525,000
Performance: 519,359
Goal Met: Almost

Discussion: Hiring a total of 100 new Administrative Law Judges (ALJs) in February 2005 contributed to the increase in the number of SSA hearings processed as they become more experienced toward the end of the fiscal year. The Office of Hearings and Appeals (OHA) worked with the Regional Chief ALJs to monitor the output from the new judges and identify training needs and workload issues. Increased focus on the electronic initiatives, video hearings, and bench decisions has increased the overall number of hearings processed. The use of an early screening review to render *on-the-record* decisions also contributed to this increase. (An *on-the-record* decision occurs when an ALJ, prior to a hearing having been held, grants an approval to a disability claimant on the basis of available medical evidence.) Resources were redirected from processing SSA hearings to processing Medicare only hearings in order to expedite the legislatively mandated transfer of that workload to the Centers for Medicare and Medicaid Services by October 1, 2005, which resulted in this goal not being fully attained.

Trend:

Fiscal Year	Performance	Goal Met?
2001	395,565	n/a
2002	454,718	n/a
2003	493,923	↗
2004	497,379	↓
2005	519,359	↗



Note: Excludes Medicare hearings, which in the future will be handled by the Centers for Medicare and Medicaid Services.

Data Definition: Social Security Administration (SSA) hearings processed by the Office of Hearings and Appeals (OHA)

Data Source: OHA Case Processing Management System (CPMS)

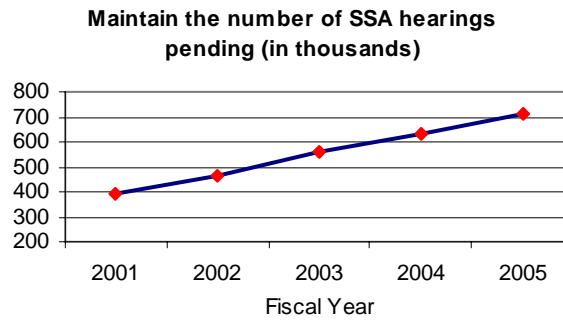
1.1d — Maintain the number of SSA hearings pending (at or below the FY 2005/2006 goal)

FY 2005 Goal: 714,000
Performance: 708,164
Goal Met: Yes

Discussion: SSA’s overall level of service to the public is heavily affected by the number of claimants awaiting hearing decisions. When an individual has already waited for the initial decision, waiting even longer for a decision at the hearing level often increases the individual’s economic burden. It is critical that SSA continue to develop new methods for expediting the hearing process. With the increase in hearings, the amount of resources dedicated to process hearing cases has also increased. In February 2005, the OHA hired an additional 100 new ALJs. These judges reported to their respective hearing offices in May and July 2005. The OHA has requested the authority to fill 400 critical positions in order to partially offset the imbalance in the ratio of lower support staff to ALJ.

Trend:

Fiscal Year	Performance	Goal Met?
2001	392,387	n/a
2002	463,052	n/a
2003	556,369	↗
2004	635,601	↓
2005	708,164	↑



Note: In SSA’s FY 2004 PAR, this measure was termed *Number of SSA hearings pending*.

Data Definition: SSA hearings pending in OHA.

Data Source: Case Processing Management System (CPMS).

1.1e — Number of appellate actions processed

FY 2005 Goal: 1,158,412

(Reconsiderations	1,028,665)
(Requests for Appeals Council Review	101,859)
(New Court Cases	15,419)
(Court Remands	12,469)

Performance: 1,043,807

(Reconsiderations	925,378)
(Requests for Appeals Council Review	94,083)
(New Court Cases	14,455)
(Court Remands	9,891)

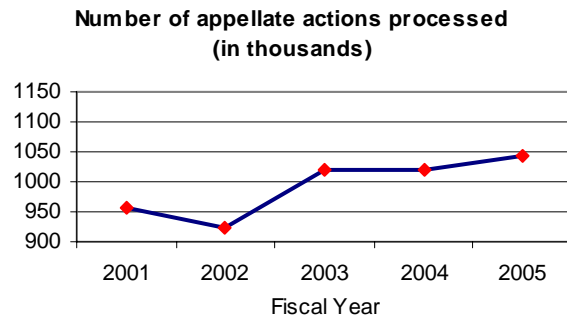
Goal Met: No

Discussion: This goal is directed toward delivering timely decisions on appeals other than hearings. These include both disability and non-disability requests for reconsideration, review of hearing level decisions by the Appeals Council, new court cases (civil actions), and court remands to the Appeals Council. It is important to the public to ensure timely processing at each of these appeal levels.

The primary reason SSA did not meet its goal is due to the volume of reconsiderations and court remands. The level of anticipated reconsiderations was lower than expected in FY 2005. In addition, the level of court remands to the Appeals Council decreased. This is a positive sign in terms of the quality of hearing decisions. The goal for this measure was based on higher projected reconsideration receipts and court remands.

Trend:

Fiscal Year	Performance	Goal Met?
2001	915,971	n/a
2002	923,636	n/a
2003	1,019,815	↑
2004	1,019,007	↑
2005	1,043,807	↓



Data Definition: Appellate actions processed represents the number of SSA level reconsiderations, Appeals Council Reviews, new court cases, and court remands disposed of in a fiscal year. OHA is responsible for holding hearings and issuing decisions as part of the SSA process for determining whether or not a person may receive benefits. Administrative Law Judges conduct impartial de novo hearings and make decisions on appealed determinations involving retirement, survivors, disability, and supplemental security income.

Data Source: Appeals Council Automated Processing System (ACAPS) and SSA-Level Cost Accounting System.

1.1f — Average processing time for initial disability claims

FY 2005 Goal: 93 days

Performance: 93 days*

Goal Met: Yes

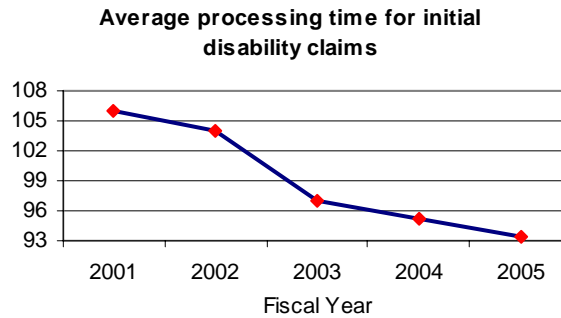
Discussion: Timely processing of initial disability claims is a critical factor of SSA's service delivery to the public. The Agency has made positive strides in this area over the last several years. The average processing time for initial disability claims has steadily decreased from 106 days in 2001 to 93 days in 2005. Because of the recent improvements in the disability claims process in both the SSA field offices and State DDSs, such as the implementation of the eDib process, SSA met its FY 2005 goal. In addition, the average processing time for FY 2005 decreased from FY 2004.

Implementation of the eDib process is expected to continue to improve performance in this area. During FY 2005, the SSA field offices and State DDSs implemented changes in business processes and systems enhancements and had to absorb the effect of start-up activities, training, learning curve, and working simultaneously in the old and the new process. Despite these changes and the employee learning curve that is typically associated with such change, the goal was met. Improvements are expected to continue as employees gain increased proficiency in using new software and technological enhancements.

The Agency will be closer to an all electronic business environment and reliance on the paper disability folder will steadily decrease by the end of FY 2006. The end result will be improved processing time by reducing the time it takes to obtain medical evidence electronically and by eliminating the time used in mailing, handling and storing of the paper claims folders.

Trend:

Fiscal Year	Performance	Goal Met?
2001	106 days	n/a
2002	104 days	n/a
2003	97 days	↑
2004	95 days	↑
2005	93 days*	↑



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

Note: The disability determination process is the same for both Social Security and SSI disability claims.

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 an award.

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

1.1g — Average processing time for hearings

FY 2005 Goal: 442 days
Performance: 415 days
Goal Met: Yes

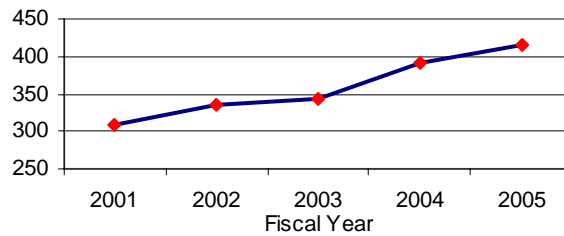
Discussion: Expedient processing of hearings translates into better service to the public. The hiring of additional ALJs in FYs 2004 and 2005 will steadily lead to more hearings being processed by improving processing time.

Despite the increasing number of hearing requests during FY 2005, SSA met this goal. In addition to increasing the number of ALJs, the OHA took other actions that helped improve performance of this measure. For example, the expanded use of video hearing equipment and the use of an early screening review process to render *on-the-record* decisions contributed to increased performance. (An *on-the-record* decision occurs when an ALJ, prior to a hearing having been held, grants an approval to a disability claimant on the basis of available medical evidence.) These and other initiatives will lead to even greater improvements in performance in the coming years.

Trend:

Fiscal Year	Performance	Goal Met?
2001	308 days	n/a
2002	336 days	n/a
2003	344 days	↑
2004	391 days	↘
2005	415 days	↑

Average processing time for hearings



Data Definition: This indicator represents the average elapsed time, from the hearing request date until the date of the notice of the decision, of all hearings level cases (disability and non-disability cases) processed during all months of the fiscal year (includes Medicare and SSA hearings).

Data Source: Case Processing Management System (CPMS)

1.1h — Reduce the average number of days needed to process hearings appeals

FY 2005 Goal: 250 days

Performance: 242 days

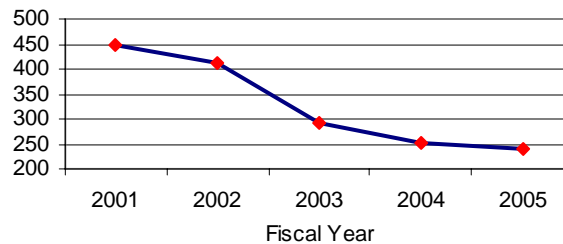
Goal Met: Yes

Discussion: Reducing the time it takes for an individual to receive a decision on a claim, from initial filing to final administrative appeal, is one of SSA’s high priorities. The current process for Appeals Council review of the hearing level decision takes too long. In fact, this final level of appeal historically represents the longest waiting time in the entire process. Therefore, improvement under this measure would improve SSA’s service across many lines. Not only did SSA meet this goal, but also eliminated the backlog of older cases reducing the pending to an acceptable level. An acceptable level of pending cases is between 40,000 to 50,000. SSA’s pending cases are currently at 41,000.

Trend:

Fiscal Year	Performance	Goal Met?
2001	447 days	n/a
2002	412 days	n/a
2003	294 days	↑
2004	251 days	↑
2005	242 days	↑

Reduce the average number of days needed to process hearings appeals



Note: In SSA’s FY 2004 PAR, this measure was termed *Average processing time for decisions on appeals of hearings*.

Data Definition: This measure represents the 12-month average processing time for decisions on appeals of hearings. The monthly processing time is calculated as an average over the course of the fiscal year. The cumulative to date figure is the monthly figure reported to the Office of Strategic Management for the tracking

report. Processing time begins with the date of the request and ends with the disposition date. The disposition date is the date the decision is released/date stamped and mailed.

Data Source: Appeals Council Automated Processing System (ACAPS)

1.1i — DDS net accuracy rate (allowances and denials combined)

FY 2004 Goal: 97%

FY 2004 Actual Performance: 96%*

Goal Met: Almost

FY 2005 Goal: 97%

FY 2005 Estimated Performance: 96%** (Based on data through June 2005)

Goal to be Met: Almost

Discussion: The Agency invests a great deal of effort toward ensuring the accuracy of decisions on initial disability claims. These efforts include providing training and regional office support to the State DDS. Efforts also include building better relationships with medical providers to ensure that medical evidence is received and complete, and ensuring claims files are randomly selected for consistency and quality review.

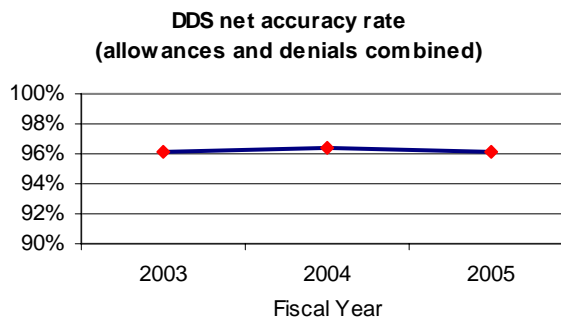
In spite of these efforts, SSA did not fully meet the net accuracy goal of 97 percent for FY 2004, and based on performance through June 2005, the goal again will not be fully met for FY 2005. The accuracy of denied claims is one of SSA’s problematic areas. Over the years, this goal has proven to be very challenging. The regulations, rules and instructions for administering the disability adjudication process are very complex. It takes years for the disability adjudicator to become proficient. In order to address the complexities of the disability adjudicative process, the DDSs invest significant time in training and mentoring programs and performing in-line quality reviews of claims.

The Agency is addressing ways to provide the disability adjudicator with relevant and timely information at one convenient website. This website provides a variety of policy information and instructions as well as information for disability training programs and newsletters.

Trend:

Fiscal Year	Performance	Goal Met?
2003	96%*	↘
2004	96%*	↘
2005 <i>ESTIMATED</i>	96%*	↘

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



**The performance data shown for FY 2005 is an estimate based on performance through June 2005. Actual data will not be available until January 2006 and will be reported in the FY 2006 PAR.

Data Definition: Net accuracy is the percentage of correct initial State disability determinations. Net accuracy is based upon the net error rate, which is defined as the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases that are not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed.

Data Source: Disability Quality Assurance Data Bases.

1.1j — Disability hearings accuracy rate

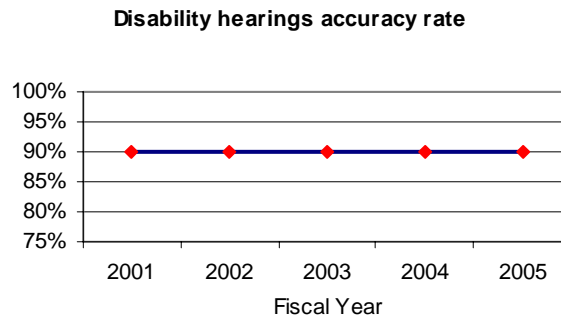
FY 2003 Goal:	90%
FY 2003 Estimated Performance:	90%*
Goal to be Met:	Yes
FY 2004 Goal:	90%
FY 2004 Estimated Performance:	90%*
Goal to be Met:	Yes
FY 2005 Goal:	90%
FY 2005 Estimated Performance:	90%*
Goal to be Met:	Yes

Discussion: The Agency strives to ensure that hearing decisions are made accurately. The OHA has placed a great deal of focus on decisional accuracy as part of the training for its new ALJs. In addition, the OHA has focused both national and local resources toward additional training for experienced ALJs. Many hearing offices work with local courts and legal organizations to maintain a working knowledge of key issues, receive training from medical experts, and coordinate with SSA’s Office of General Council to cover challenging legal areas.

In addition, SSA’s Office of Quality Assurance and Performance Assessment and the OHA conduct the Disability Hearings Quality Review Process peer review. The peer review process is unique compared to other Agency quality review processes, as the in-depth hearing-level evaluations are performed by current ALJs who assess the conduct of the hearings and the decisional outcomes of their colleagues. This use of “professional peers” in place of designated “quality review experts” is a quality approach currently being used in more advanced quality management systems.

Trend:

Fiscal Year	Performance	Goal Met?
2001	90%	n/a
2002	90%	n/a
2003 <i>ESTIMATED</i>	90%*	↑
2004 <i>ESTIMATED</i>	90%*	↑
2005 <i>ESTIMATED</i>	90%*	↑



*Based on past performance the Agency expects to meet its goal for FYs 2003-2005. Actual data for FYs 2003 and 2004 will not be available until December 2005 and will be reported in the FY 2006 PAR. Actual data for FY 2005 will not be available until December 2007 and will be reported in the FY 2008 PAR.

Note: In SSA's FY 2004 PAR, this measure was termed *Hearings decision accuracy rate*.

Data Definition: The decisional accuracy rate is the percent of disability hearing decisions - both favorable and unfavorable supported by "substantial evidence." Substantial evidence is defined as evidence, which, although less than a preponderance, nevertheless is sufficient to convince a reasonable mind of the credibility of a position taken on an issue, when no evidence on the opposing side clearly compels another finding or conclusion. The "substantial evidence" rule requires less in support of a finding or conclusion than the "weight of the evidence" rule. Evidence on one side of an issue need not possess greater weight or be more convincing and credible to be "substantial". This is the standard used by the Federal courts to evaluate accuracy of decisions, and by the Appeals Council in determining which hearing decisions to review.

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

1.1k — Agency decisional accuracy (ADA) rate

FY 2005 Goal: 97%

Estimated Performance: 97% *(Based on data through June 2005)

Goal to be Met: Yes

Discussion: This is a new measure for FY 2005. The ADA rate is updated quarterly on a fiscal year-to-date basis and is reported after the close of the 3-month period following the report period. This allows time for corrective actions to take place. While it is predicted that the final numbers will indicate that SSA did meet its 97 percent accuracy target, the Agency will use findings from the measure to target areas needing improvement in accuracy.

This measure more precisely portrays the Agency's initial disability determination accuracy because it includes in the calculation all corrective actions taken in connection with SSA quality control reviews that are performed before DDS determinations are effectuated. (This measure expands on the DDS accuracy rate measure 1.1i described on page 74 in that it includes among Agency correct decisions those incorrect DDS determinations that were corrected by SSA on a pre-effectuation basis.) As a **SERVICE** measure, it is a way for both the public and the Agency to know that a high standard of accuracy is being maintained and that the accuracy of SSA decisions can be relied on to a high degree.

Trend: This was a new measure for FY 2005.

* The performance data shown for FY 2005 is an estimate based on performance through June 2005. Actual data will not be available until January 2006 and will be reported in the FY 2006 PAR. The actual number is rounded to the nearest whole number using the standard rounding convention of rounding up numbers that are .5 or higher and rounding down those .4 or less.

Data Definition: ADA estimates total errors in all initial State agency disability determinations based on the quality assurance (QA) sample review conducted in the disability quality branches. Errors are defined as those cases whose decisions change upon correction. The errors that are corrected in the regional QA and Pre-effectuation reviews (PER) are subtracted from the total estimated errors. The remaining uncorrected estimated errors are the "incorrect" cases in ADA. ADA represents the remaining correct cases divided by the total cases.

Data Source: *Disability Quality Assurance Data Bases*.

Strategic Objective 1.2: Increase employment for people with disabilities

1.2a — Number of Disability Insurance (DI) and Supplemental Security Income (SSI) beneficiaries, with tickets assigned, who work (over calendar year 2003 baseline of 14,052)*

FY 2004 Goal: 20% over baseline – 16,862*

FY 2004 Actual Performance: 24,784*

Goal Met: Yes

FY 2005 Goal: 40% over baseline – 19,673*

FY 2005 Actual Performance: n/a** Not reported until June 2006.

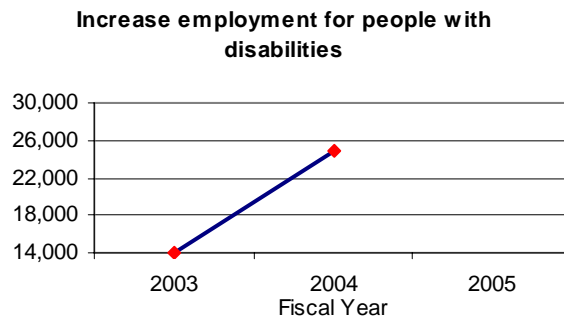
Goal to be Met: It is anticipated that the target will be met.

*The baseline for CY 2003 and the estimated target for CY 2004 that were reported in the FY 2004 PAR have been updated to include additional beneficiaries, with tickets, who work. See page 78 for additional information.

Discussion: This measure supports the Agency’s service goal by increasing disabled beneficiaries’ access to employment opportunities through the Ticket-to-Work program and ensuring that disabled recipients have the opportunity to learn and develop skills to help them return to work. Through changes in legislation, advances in medicine, and technology improvements, the workplace is now more amenable to persons with disabilities than in past decades. SSA is committed to facilitating access to employment by educating employers and the public about the benefits of the Ticket-to-Work program.

Trend:

Fiscal Year	Performance	Goal Met?
2003	14,052	(baseline)
2004	24,784 (76%)	↑
2005	n/a**	↑



** Based on past performance the Agency expects to meet its goal for FY 2005. Actual data for FY 2005 will not be available until June 2006 and will be reported in the FY 2006 PAR.

Note: In SSA’s FY 2004 PAR, this measure was titled *Percent increase in the number of DI and SSI beneficiaries, with tickets assigned, who work*.

Data Definition: The number of SSDI and SSI beneficiaries with tickets assigned who work are measured by counting the number of DI and SSI and concurrent beneficiaries who have assigned their tickets to an Employment Network or State vocational rehabilitation agency and who have recorded earnings on the Master Earnings File (MEF). This is a calendar year measure, January 1 – December 31, and reported in February of the following year.

Data Source: Disability Control File (Verify Update Earnings Screen [VERN], Work and Earnings Reports field) and Master Earnings File (MEF).

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

FY 2004 Goal: 243,464 (5% over FY 2003 performance)
FY 2004 Actual Performance: 232,775 (<0.5% over FY 2003 performance)
Goal Met: No

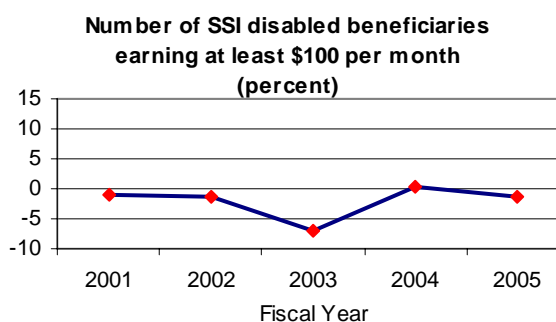
FY 2005 Goal: 255,637 (5% over FY 2004 goal)
FY 2005 Estimated Performance: 240,465* (Based on data through June 2005)
Goal to be Met: No

Discussion: This measure reflects a specific effort to encourage disabled SSI recipients to gain employment at a minimum level. SSA encourages all disabled beneficiaries to take advantage of various work incentives in order to increase their economic independence and self-sufficiency. Due to the dynamics of the SSI population, which include factors such as levels of education, work experience, and capacities for working, a more graduated approach to joining the workforce is often appropriate.

The strategies for increasing employment for disabled individuals are guided by and directly support the President’s *New Freedom Initiatives*, a nationwide effort to remove barriers to community living for people of all ages with disabilities and long-term illnesses. Despite SSA’s strategies to assist disabled individuals who want to become more self-sufficient, it will take several years to see the full benefits and results of the program.

Trend:

Fiscal Year	Performance	Goal Met?
2001	252,219 (-1.1%)	n/a
2002	249,175 (-1.2%)	n/a
2003	231,870 (-6.9%)	↓
2004	232,775 (<0.5%)	↓
2005 <i>ESTIMATED</i>	240,465 (-1.2%)*	↓



*The performance data shown for FY 2005 is an estimate based on performance through June 2005. Actual data will not be available until late November 2005 and will be reported in the FY 2006 PAR.

Note: In SSA’s FY 2004 PAR, this measure was termed *Percent increase in the number of SSI disabled beneficiaries earning at least \$100 per month*.

Data Definition: The number of working Supplemental Security Income (SSI) disabled beneficiaries earning at least \$100 per month. This measure is intended to reflect the impact of all work incentives for SSI disabled beneficiaries. Through FY 2004, performance against this measure was calculated based on an end-of-year snapshot. Effective with FY 2005, SSA will average the four FY quarterly results to determine annual performance.

Data Source: *SSI Disabled Recipients Who Work* report

Strategic Objective 1.3: Improve service through technology

1.3a — Retirement and Survivors Insurance (RSI) claims processed

FY 2005 Goal: 3,458,000

Performance: 3,762,977

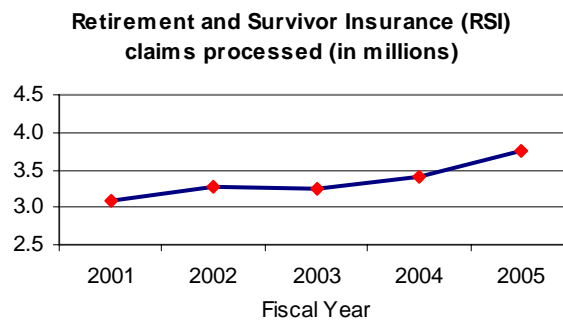
Goal Met: Yes

Discussion: Over the past few years, SSA introduced a number of initiatives toward improving the process for retirement and survivor claims. Since the implementation of the Internet Social Security Benefit Application in FY 2001, SSA has successfully managed and expedited the claims process using improved technology for an ever increasing number of beneficiaries. As this trend is expected to continue over the next decade, SSA faces the challenge of providing cost effective electronic service delivery.

Each year, this goal is based on actuarial estimates, prior years' claims receipts, legislative or policy changes and other factors. This method of forecasting has allowed the Agency to meet the goal every year since FY 2000.

Trend:

Fiscal Year	Performance	Goal Met?
2001	3,092,743	n/a
2002	3,266,297	n/a
2003	3,238,871	↑
2004	3,399,471	↑
2005	3,762,977	↑



Data Definition: All retirement, survivors, and initial claims for Medicare processed by Regional Commissioner (RC)/Field Offices and Office of Central Operations (OCO). Includes totalization claims.

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

1.3b — Optimize the speed in answering 800-number calls

FY 2005 Goal: 330 seconds

Performance: 296 seconds

Goal Met: Yes

Discussion: Advances in telephone communication technology provide the public with greater access to services and allow SSA to more efficiently meet the needs of the public. Telephone communication is an important tool in conducting business with the public. Whether or not an individual is receiving benefits from SSA, they will likely have an occasion to contact SSA by telephone, and SSA wants to be responsive and timely.

In 2005, SSA continued to realize increased efficiencies through the Call Center Network Solution, a system that allows the routing of calls to the next available agent at any site in the national network. This allows the network to handle the optimum number of calls per agent, which translates into improved service to the public through

technological enhancements. The increased use of automated response options also contributed to success in achieving the goal.

Trend: This is a new measure for FY 2005.

Note: The number of transactions (either live or automated service) handled by SSA's 800 number is estimated to be 56,900,000 in FY 2005 and 57,700,000 in FY 2006.

Data Definition: Answer wait time of all calls divided by all calls answered by agents (includes calls that do not queue). Wait time begins from the time callers first hear the message that they will be connected with the next available agent, and ends when an agent answers. Calls that go straight to an agent without waiting in queue have a zero average speed of answer (ASA) but are included in the ASA for all calls, i.e., they are included in the average. ASA does not include callers who abandon from queue before being answered by an agent.

Data Source: Report generated by Cisco router software

1.3c — Optimize the 800-number Agent busy rate

FY 2005 Goal: 10%

Performance: 10%*

Goal Met: Yes

Discussion: Closely related to 800-number wait times, is SSA's effort to minimize the agent busy rate. This measure is positively affected by the advancements under the Call Center Network Solution, a new system that allows more efficient routing of calls to an 800-number agent. Expanding the capacity for connecting callers to agents, regardless of the origin of the call and the location of the Agent, allows SSA to reach more callers on the first try, enhancing the service level through the use of advanced technology.

Trend: This is a new measure for FY 2005.

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

Note: The number of transactions (either live or automated service) handled by SSA's 800 number is estimated to be 56,900,000 in FY 2005 and 57,700,000 in FY 2006

Data Definition: Number of busy messages divided by number of calls offered to agents (displayed as a percentage). A busy message is the voice message a caller receives when no agent is available to answer the call and the caller is asked to call back later.

Data Source: Report generated by Cisco router software.

1.3d — Increase the usage of electronic entitlement and supporting actions

FY 2005 Goal: 120% (649,482)

Performance: 471.1% (1,685,959)

Goal Met: Yes

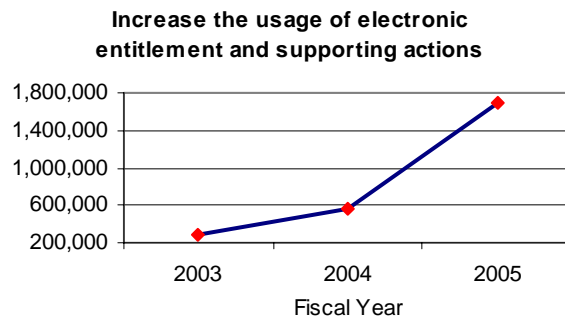
Discussion: SSA continues to expand access to information and services through Internet resources and enhance the functionality and usability of current applications. Expanding the services SSA can provide through additional use of technology not only improves the level of service to the public but also saves the Agency time and money. Efforts under this measure also contribute to increased Agency productivity and technological enhancements increase the accuracy of Agency decisions and processes.

In FY 2004, this performance indicator was revised to measure broader performance than in previous years. The goal includes the Internet applications listed in the data definition section below. Progress under this measure continues to exceed expectations, further driving the Agency to set still higher goals for the future. The Agency continues to add new services.

Trend:

Fiscal Year	Performance	Goal Met?
2003	295,219	(baseline)
2004	87.3% growth* (552,810)	↑
2005	471.1% growth* (1,685,959)	↑

*Over baseline



Note: In SSA’s FY 2004 PAR, this measure was termed *Usage of electronic entitlement and supporting actions*. This measure relates to an earlier (FY 2003) measure termed *Percent of Retirement Claims Initiated via the Internet*. Because the data definition changed in FY 2004, it was considered a new measure at that time. The FY 2005 Revised APP neglected to indicate this.

As a result of the decision to count only fully successful transactions beginning in FY 2005, the FY 2003 baseline changed from 334,016 to 295,219 to reflect fully successful transactions for comparison to the FY 2005 performance target. For the same reason, the FY 2004 performance changed from actual performance of 611,266 to 552,810. The FY 2006 target has been modified to 300% growth over the FY 2004 baseline. This is expected to be a more realistic reflection of what the Agency can accomplish than the FY 2005 performance target.

Data Definition: This indicator consists of an aggregate measure of representative electronic transactions the public performs with SSA. The following are included in FY 2003 baseline:

- *Internet Social Security Benefit Application (ISBA):*
 - ❖ Retirement Application (effective 11/00)
 - ❖ Spouse Application (effective 3/01)
 - ❖ Disability Application (effective 1/02)
- *Proof of Income Letter* (previously known as *Benefit Verification Statement*[BEVE]) (effective 3/99)
- *Internet Medicare Replacement Card (iMRC)* (effective 7/00)
- *Password Based Change of Address* (effective 4/01)
- *Internet Change of Direct Deposit (iDD)* (effective 8/01)

Applications continue to be added on an ongoing basis.

Data Source: *Executive and Management Information System (EMIS); Title II Internet Claims Report; Electronic Service Delivery Report.*

1.3e — Increase the percent of employee reports (W-2 forms) filed electronically

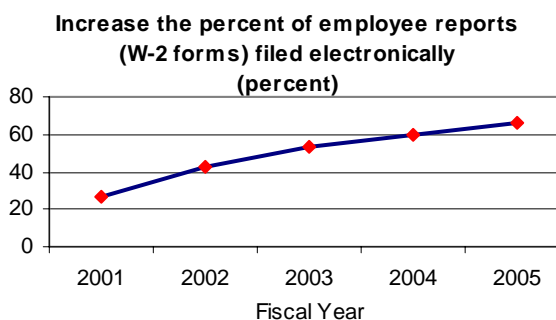
FY 2005 Goal: 60%
Performance: 66%
Goal Met: Yes

Discussion: SSA’s vision is to provide a variety of cost-effective electronic Government services to citizens, businesses and other government agencies, within the next few years. Within the scope of this measure, 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, which improves reporting accuracy and reduces the volume of error correction and necessary follow-up contacts. In addition, *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 Agency’s ability to receive electronically filed wage reports through the Internet provides the business community with an easy-to-use, cost effective filing process.

SSA has made significant improvements in the earnings process and service to employers. Sixty percent of all 2004 W-2 forms were filed electronically. Additional opportunities to move diskette and paper filers to electronic reporting still exist. As of 2005, SSA no longer accepts tapes or cartridges and will eliminate diskettes in 2006. The Agency recently received results from a survey that was conducted to provide insight into how to encourage small paper wage reporters to report electronically. The survey results indicated that most small businesses switched from paper to the electronic reporting process as a result of SSA’s promotional materials, payroll and employer conferences, articles in trade publications, and direct contact with large employers. SSA also plans to increase electronic business via the Internet by improving earnings products and services for accountants that prepare W-2s. In June 2005, SSA hosted a Software Developers Conference to identify what additional actions would be needed to switch those paper filers to the electronic filing process. The information obtained is currently being analyzed so that an action plan can be developed and implemented.

Trend:

Fiscal Year	Performance	Goal Met?
2001	27%*	n/a
2002	43%*	n/a
2003	53%*	↑
2004	60%	↑
2005	66%	↑



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

Note: In SSA’s FY 2004 PAR, this measure was termed *Percent of employee reports (W-2s) filed electronically*.

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

Data Source: *Earnings Management Information Operational Data Store reports (EMODS)*

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

FY 2005 Goal: 83%

Performance: 85%

Goal Met: Yes

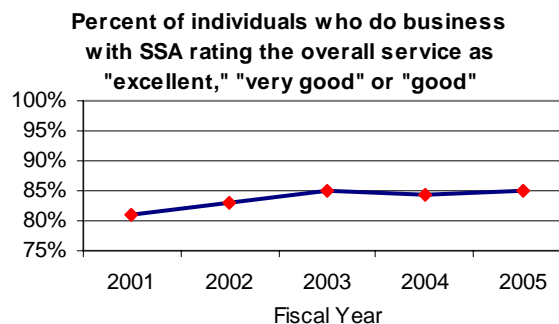
Discussion: Technological advancements, both in external services made available to the public electronically through the Internet and on the telephone, and in internal applications utilized by employees, are critical to the public’s perception of how well SSA delivers service. SSA’s increased use of technology has been essential to achieving increased efficiency and to enabling employees to deliver the kind of service that every claimant, beneficiary and the general public needs and deserves. SSA is working continually to enhance Internet and other service options to meet the needs of the growing segment of the public who prefer to do business electronically. At the same time, the Agency must pursue technological advancement in its internal systems to enable employees to meet the diverse needs of the public, many of whom prefer to conduct their business as they have traditionally, with agents on the telephone or in person. The high quality service provided by SSA employees, as evidenced by the very favorable ratings they receive for their courtesy, helpfulness, job knowledge and the clarity of their explanations*, continues to be a key factor in the overall public perception of the Agency’s service.

On September 20, 2005 Foresee Results published its American Customer Satisfaction Index. Within the E-Government Satisfaction Index, SSA had the two top scoring websites. The American Customer Satisfaction Index measures satisfaction on a 100-point scale, and for the latest quarter, SSA’s *Help with Medicare Prescription Drug Costs* scored 91, the highest score ever reported in the Index. The *Internet Social Security Benefits Application* scored 87. The entire report, which can be found at <http://www.foreseeresults.com>, states “... the Social Security Administration is effectively providing very targeted information and services to a niche audience—people at or approaching retirement age and their family members. While senior citizens have been somewhat overlooked on the Internet and have lower adoption rates than other age groups, they are now a fast-growing Internet audience and the Social Security Administration is at the forefront in meeting their needs.”

*Excellent, very good or good ratings of these categories were virtually all 90 percent or better for all service delivery channels (800 number service, field office telephone service, and office visits).

Trend:

Fiscal Year	Performance	Goal Met?
2001	81%	n/a
2002	83%	n/a
2003	85%	↑
2004	84%	↑
2005	85%	↑



Note: In SSA’s FY 2004 PAR, this measure was titled *Percent of people who do business with SSA rating the overall service as “excellent”, “very good”, or “good.”*

Data Definition: Percent of respondents surveyed by SSA’s Office of Quality Assurance and Performance Assessment (OQAPA) who rate overall service as “good,” “very good,” or “excellent” on a 6-point scale ranging from “excellent” to “very poor” divided by the total number of respondents to that question.

Data Source: Performance indicator satisfaction ratings are derived from the OQAPA's annual surveys of 800-number callers, field office callers and office visitors, including both field office and hearings office visitors.

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

FY 2005 Goal: 46%

Performance: 42%

Goal Met: No

Discussion: The Agency has recognized the need to improve the quality, consistency and access to information that is used by managers and analysts throughout SSA to manage work and account for resources. The objective of SUMS is to create a system for SSA operational components that counts and measures all work in a consistent manner regardless of where the work is processed. This system provides access to information needed to meet changing business requirements, support process reviews and comply with government standards. Access to web based reports and workload control listings and other information are available on demand, eliminating the need for paper reports.

Such information is used in a way that work priorities and resource allocations can be adjusted to best handle operational workloads. This in turn supports more efficient service to the public as well as more efficient resource utilization.

The Agency did not meet the performance goal for FY 2005. This is because the following projects that were planned to be completed in FY 2005 will actually be completed in FY 2006: Enumeration Performance Measures (1 percent—October 2005), Medicare Counts and Performance Measures (1 percent—December 2005), Reconsideration/Limited Issue Social Security Unified Management System Counts (1% - September 2006), CSR CHIP (1 percent – October 2005).

Trend: This is a new measure for FY 2005.

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

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

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

Strategic Objective 2.1: Prevent fraudulent and improper payments and improve debt management

2.1a — SSI non-disability redeterminations

FY 2005 Goal: 1,696,000

Performance: 1,724,875

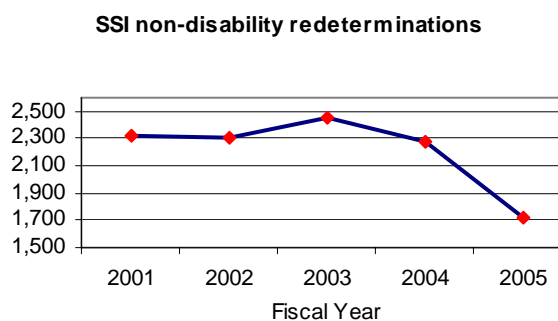
Goal Met: Yes

Discussion: Redeterminations are periodic reviews of non-medical factors of entitlement (income, resources, and living arrangement) for SSI eligibility. They are a powerful tool that SSA uses to detect and prevent O/Ps. Conducting timely redeterminations ensures that beneficiaries receive the correct amount of benefits and that general revenue funds are correctly spent. Redeterminations allow for early detection and prevention of O/Ps as well as U/Ps. The Agency saves approximately \$7 for every \$1 spent on processing redeterminations.

Many systems enhancements have contributed to the Agency's ability to manage this workload. SSA has consistently met (or nearly met) its goal for number of redeterminations processed through careful adherence to scheduled dates and improved reporting methods for changes in information. Overall Agency budget constraints caused a reduction in the FY 2005 performance goal.

Trend:

Fiscal Year	Performance	Goal Met?
2001	2,315,856	n/a
2002	2,311,499	n/a
2003	2,449,674	↘
2004	2,278,566	↑
2005	1,724,875	↑



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

Data Source: Redeterminations Service Delivery Objective (RZ SDO) Report (Post-eligibility Operational Data Store – PEODS)

2.1b — Periodic CDRs processed

FY 2005 Goal: 1,384,000
Performance: 1,515,477
Goal Met: Yes

Discussion: SSA uses CDRs to periodically determine if disabled beneficiaries continue to meet the definition of disability, and whether disability benefits should continue. CDRs help ensure the integrity of the disability program by ensuring that beneficiaries receive the benefits they are due and help to ensure that Trust Fund money and general revenue funds are spent correctly.

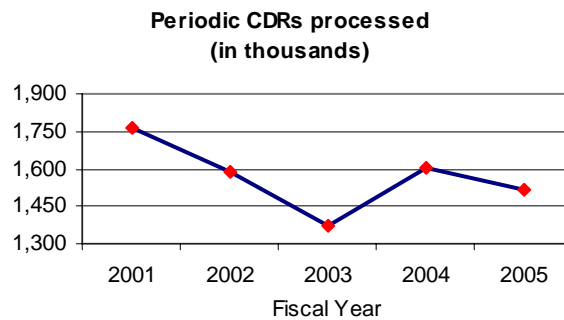
Improvements in profiling resulted in an increased number of CDRs processed by mail rather than by more expensive full medical reviews. CDR mailers are released to disabled individuals scheduled for a review in October, February, June, and August each year. Achieving this goal is also linked to resources. For FY 2006, legislation has been introduced to earmark funds for conducting increased numbers of CDRs. The Agency saves over \$10 for every \$1 spent on processing CDRs.

The Agency has made progress in its efforts to improve the CDR process. SSA began processing an additional category of SSI adult cases as CDR mailers. To illustrate the savings this innovation has generated, of the approximately 115,000 mailers on these cases received to date for review, approximately 70 percent (80,000) have been completed without full medical reviews. Prior to this new process, all of these cases would have been processed as full medical reviews. SSA continues to focus on large-scale sampling to maintain program integrity while exploring new technologies to determine if further efficiencies can be realized.

Although the FY 2005 goal was met, overall Agency budget constraints resulted in SSA not being able to process as many CDRs as in prior years.

Trend:

Fiscal Year	Performance	Goal Met?
2001	1,762,517	n/a
2002	1,586,091	n/a
2003	1,371,255	↑
2004	1,604,680	↑
2005	1,515,477	↑



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

Data Source: Disability Operational Data Store (DIODS) and the CDR tracking files

2.1c —Percent of SSI payments free of preventable overpayment (O/P) and underpayment (U/P)

FY 2004 Goal:

Overpayment accuracy: 95.4%
Underpayment accuracy: 98.8%

FY 2004 Actual Performance:

Overpayment accuracy: 93.6%
Underpayment accuracy: 98.7%

Goal Met: Almost

FY 2005 Goal:

Overpayment accuracy: 94.9%
Underpayment accuracy: 98.8%

FY 2005 Estimated Performance:

Overpayment accuracy: 93.6%*
Underpayment accuracy: 98.7%*

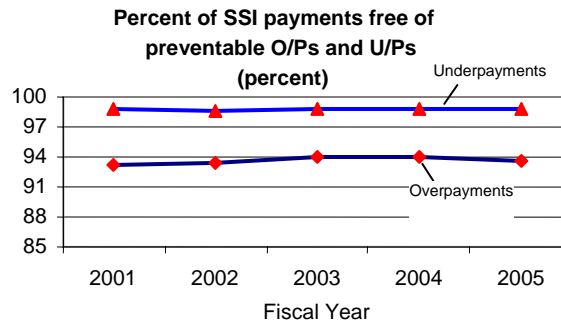
Goal to be Met: Almost

Discussion: As stewards of that portion of general funds that supports SSI payments, it is critical that SSA carefully manages amounts paid. A large part of this performance measure is addressed through the SSI redetermination process (*measure 2.1a*). Because of the way benefits are paid, many payments are based on projections, such as future earnings, that must later be verified and a determination made as to the accuracy of the initial payment amount. Through careful management of entitlement factors and monthly reporting requirements, SSA continues to improve payment accuracy and, in turn, reduces O/Ps and U/Ps.

Achieving this goal is linked both to resources and implementing new error prevention initiatives. In FY 2005, the Agency piloted additional initiatives, including SSA access to financial data of recipients and an automated telephone wage reporting system. Also, computer matches with the Department of Homeland Security (DHS) provides deportation information so SSA can stop SSI payments timely.

Trend:

Fiscal Year	Performance	Goal Met?
2001	O/P: 93.3%; U/P: 98.8%	n/a
2002	O/P: 93.4%; U/P: 98.6%	n/a
2003	O/P: 93.9% U/P: 98.8%	↗
2004	O/P: 93.6% U/P: 98.7%	↗
2005 <small>ESTIMATED</small>	O/P: 93.6%* U/P: 98.7%*	↗



*Based on past performance, SSA expects to almost meet the FY 2005 performance goal. Actual data for FY 2005 will not be available until July 2006 and will be reported in the FY 2006 PAR.

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; i.e., the findings are representative of the universe of the payments issued with 95 percent precision and confidence levels of plus or minus 1 percent for overpayments and plus or minus 0.3 percent for underpayments. The rate is computed by first subtracting the amount of “unpreventable” incorrect payments from the dollars overpaid or underpaid in 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

2.1d —Percent of outstanding SSI debt in a collection arrangement

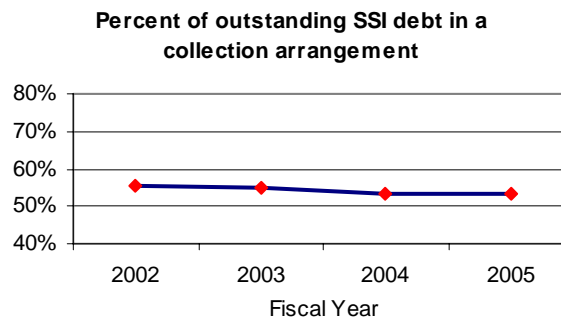
FY 2005 Goal: 53%
Performance: 53%*
Goal Met: Yes

Discussion: In spite of Agency efforts to prevent them, O/Ps occur that the Agency is responsible for recovering. The Agency uses aggressive debt collection tools to increase the amount of debt in collection arrangements. Debts are in a collection arrangement when recovery is being made by offsetting monthly benefits, refunds are being made in a timely manner or a new refunding agreement has been made and it has not become delinquent. The tools SSA uses include referring delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments, withholding SSI O/Ps from OASDI payments, and referring debts to credit bureaus.

A measurable positive effect of about 0.5 percent has resulted from identifying many thousands of additional debtors eligible for offset against Social Security benefits and beginning that offset. It is likely that broader use of a new tool that efficiently organizes debt information will have a positive effect on debt collection performance, and in turn, the Agency’s Trust Fund stewardship responsibility.

Trend:

Fiscal Year	Performance	Goal Met?
2002	55%*	n/a
2003	55%*	↑
2004	54%**	↘
2005	53%*	↑



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

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

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

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.

Data Source: Supplemental Security Record (SSR)

2.1e — Percent of OASDI payments free of overpayment (O/P) and underpayment (U/P)

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

FY 2004 Actual Performance:
Overpayment accuracy: 99.5%
Underpayment accuracy: 99.8%

Goal Met:
Overpayment accuracy: Almost
Underpayment accuracy: Yes

FY 2005 Goal: Overpayment accuracy: 99.8%
Underpayment accuracy: 99.8%

FY 2005 Estimated Performance:
Overpayment accuracy: 99.8%*
Underpayment accuracy: 99.8%*

Goal to be Met:
Overpayment accuracy: Yes
Underpayment accuracy: Yes

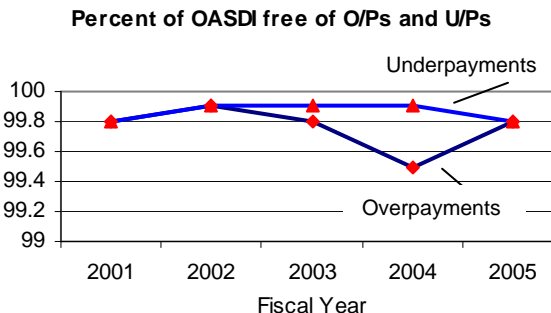
Discussion: As stewards of the Social Security Trust Fund, it is critical that SSA carefully manage the benefits paid against the benefits actually due. For disability benefits, the greatest source of OASDI O/Ps, the work CDR process plays an important role in keeping O/P and U/P levels in check. Identification of Workers Compensation and unreported earnings as early as possible also contributes to payment accuracy. In addition, through careful management of entitlement factors and reporting requirements, SSA will continue to maintain payment accuracy and, in turn, control the incidence of O/Ps and U/Ps.

Improvements to the work CDR profiling and control process have improved coordination of work among field offices. This allows earnings information to be recorded at the point of contact, reducing the occurrence of O/Ps. SSA also expects positive results from new initiatives for posting earnings from the suspense file and for improving the tracking of work reports. Further, computer matches with the DHS provide deportation information, enabling SSA to stop Social Security and SSI payments timely.

Trend:

Fiscal Year	Performance	Goal Met?
2001	O/P: 99.8% U/P: 99.8%	n/a n/a
2002	O/P: 99.9% U/P: 99.9%	n/a n/a
2003	O/P: 99.8% U/P: 99.9%	↑ ↑
2004	O/P: 99.5% U/P: 99.8%	↓ ↑
2005	O/P: 99.8%* U/P: 99.8%*	↑ ↑

ESTIMATED



*Based on past performance and new initiatives being implemented, SSA expects to meet the FY 2005 performance goal. Actual data for FY 2005 will not be available until July 2006 and will be reported in the FY 2006 PAR.

Note: GAO raised a concern that combining payment accuracy data from the OASI and DI programs may affect Social Security’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 Definition: Old-Age, Survivors, and Disability Insurance (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.

Data Source: OASDI Stewardship Report (The actual FY 2005 performance data were not available for reporting in the FY 2005 *Performance and Accountability Report* (PAR) because of the length of time required to gather, validate and analyze the data, and then prepare the final report. The data will be reported in the FY 2006 PAR.)

2.1f — Percent of outstanding OASDI debt in a collection arrangement

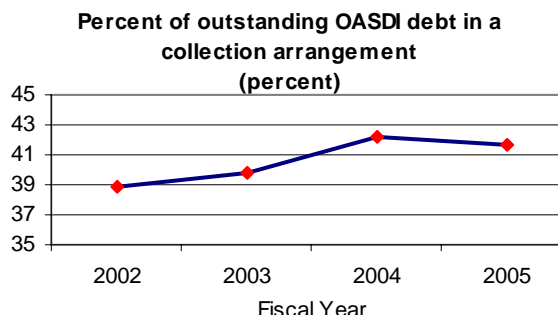
FY 2005 Goal: 42%
Performance: 42%*
Goal Met: Yes

Discussion: As with SSI payments, SSA makes every effort to avoid overpaying OASDI beneficiaries. However, in those instances where O/Ps are incurred, it is important that the Agency use aggressive debt collection tools to recover benefit O/Ps from current and former beneficiaries. Not only is this in keeping with the Agency’s Trust Fund stewardship responsibilities, current beneficiaries as well as the public in general deserve the assurance that Trust Fund monies erroneously paid out, for whatever reason, need to be recouped to the extent possible. The tools used by SSA include referring delinquent debts to the Treasury Offset Program to recover debts from Federal tax refunds and other Federal payments, referring debts to credit bureaus, and requesting employers to offset the wages of delinquent debtors. Debts are in a collection arrangement when recovery is being made by offsetting monthly benefits, refunds are being made in a timely manner, or a new refunding agreement has been made and it has not become delinquent. The *Social Security Protection Act* expanded the cross-program recovery to withhold a Social Security debt from a SSI payment due.

SSA attributes its success in collecting these debts to continued use and expansion of a broad range of debt collection processes and tools. It is likely that broader use of a new tool, the *Overpayment Wizard*, which organizes debt information efficiently, will have a positive effect on debt collection performance in the future.

Trend:

Fiscal Year	Performance	Goal Met?
2002	39%*	n/a
2003	40%*	↑
2004	42%*	↑
2005	42%*	↑



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

Note: In SSA’s FY 2004 PAR, this measure was termed *Percent of outstanding OASDI debt in collection arrangement*.

To improve performance as measured by this indicator, Social Security will focus on the debt not in a collection arrangement by developing initiatives to collect or eliminate it if it is unproductive.

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.

Data Source: *Recovery of Overpayments, Accounting and Reporting (ROAR) system.*

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN)

2.2a — Percent of SSNs issued that are free of critical error

FY 2004 Goal: 99.8%
FY 2004 Actual Performance: 99.0%
Goal Met FY 2004: Almost

FY 2005 Goal: 99.8%
FY 2005 Estimated Performance: 99.0%*
Goal to be Met: Almost

Discussion: Initially established in 1936 as a record keeping device for newly created Social Security accounts, the SSN has become the most universal personal identifier in the United States. Because maintaining accurate Social Security records is essential to paying benefits in the correct amount to the correct person, SSA continually seeks to ensure the accuracy of SSN issuances. With the increase in fraudulent use of SSNs the Agency is faced with an

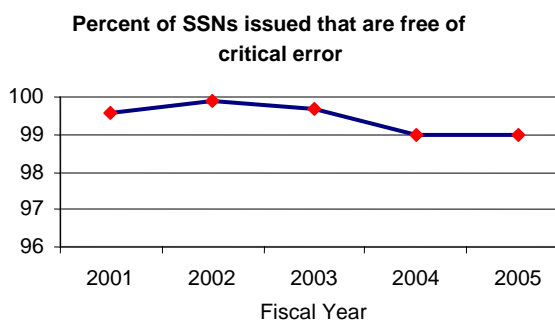
even greater responsibility to ensure the accuracy of its SSN records. The public, and employers in particular, are entitled to assurances that abuse of the SSN is not tolerated by the Agency.

The Agency takes this responsibility very seriously as demonstrated by the various systems, and operational and policy initiatives that are directed towards the enumeration process. (Enumeration is the term Social Security traditionally used to encompass the SSN assignment and card issuance processes.) For example, SSA now verifies evidentiary documents with the DHS for non-U.S.-born individuals, or with State Bureaus of Vital Statistics for U.S.-born individuals age one or older prior to issuing a Social Security card. In FY 2004, SSA began issuing an enumeration alert when a parent applies for SSNs for an unusually large number of children. In this situation, the Agency investigates the SSN request before numbers are issued. Another enhancement to improve accuracy was the mandatory use of the *SS-5 Assistant* beginning in March 2005. This is a system that ensures completed SSN applications are in compliance with policy requirements regarding evidence, verification, and documentation. The Agency also opened a second Social Security Card Center in Las Vegas, Nevada in April 2005. The Center provides better public service and better program stewardship by concentrating all SSN business within a particular service area in a single facility with a highly trained specialized staff.

The FY 2004 goal for this performance objective was 99.8 percent. However, the goal was established based on the definition of critical error that had been previously in effect through FY 2003, i.e., a misassigned SSN that is either an assignment of a SSN that belongs to someone else or a multiple SSN that is not cross-referred on the existing records. Effective with the Enumeration Process Quality Review for FY 2004, which is the data source for the FY 2005 PAR accuracy measure, the definition of critical error was brought into alignment with the policy requiring collateral verification of evidentiary documents with the issuing Agency. It expanded the definition to include verification that the sampled individual was entitled to receive the SSN based on supporting documentation (i.e., U.S. Citizenship and Immigration Service documents for aliens and birth certificates for U.S. born applicants age one or over). Thus, despite the aforementioned enhancements to the SSN process, in FY 2004 the accuracy rate under the newly aligned definition was 99.0 percent. The difference between the observed rate and the Agency goal is considered statistically significant. However, had the previous definition of SSN accuracy still been in place, the accuracy rate would have been 99.7 percent, which is not statistically different from the Agency goal. The decrease in the current accuracy rate is due almost entirely to the change in the definition of critical error.

Trend:

Fiscal Year	Performance	Goal Met?
2001	99.6%	n/a
2002	99.9%	n/a
2003	99.7%	↗
2004	99.0%	↗
2005 <i>ESTIMATED</i>	99.0%*	↗



*Based on past performance SSA expects to almost meet the FY 2005 performance goal. Actual data for FY 2005 will not be available until September 2006 and will be reported in the FY 2006 PAR.

Note: Beginning with the FY 2006 Enumeration Process Quality Review (the results of which will be reported in the FY 2007 PAR) the universe of SSNs subject to this review and used in the calculation of this performance measure will change. Enumeration-at-Birth and Enumeration at Entry SSNs will be included in the FY 2006 review. Also, the universe of cases used to calculate the FY 2006 accuracy rate will include requests for original SSNs only. A sample of requests for replacement cards will continue to be reviewed, but reported on separately. With the exclusion of requests for replacement cards from the accuracy rate calculation, and the inclusion of Enumeration at Entry cases in the universe of cases subject to review, there is an expectation that this performance measure will be approximately 98 percent for FY 2006.

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 — U.S. Citizenship and Immigration Services (USCIS) document for foreign born and birth certificate for U.S. born, and made a correct judgment of entitlement to a SSN. Included are requests for new and duplicate cards. Enumeration-at-birth activities are not included in the review.

Data Source: *Enumeration Process Quality Review*

2.2b — Process 99 percent of SSN requests received

FY 2005 Goal:	99%
FY 2005 performance:	Not Available
Goal Met:	Yes

Discussion: SSNs are required for employment, insurance, and medical benefits, most of which are needed on a time sensitive basis. As the sole provider of this service, SSA is ever mindful of the need to properly manage and forecast this workload to ensure the Agency is providing both accurate and timely service. Job applicants as well as employers rely on this service.

The volume of SSNs processed depends on the number of persons applying for original numbers and replacement cards. This number varies moderately from year to year and the Agency strives to meet the needs of the public as those needs fluctuate. The goal is to process 99 percent of all requests received rather than a specific number because that appears to be a better measure of service.

Trend: This is a new measure for FY 2005.

Data Definition: Includes SSN issuance for duplicate or original numbers processed by Regional Commissioner (RC)/ Field Offices and 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. **Note:** *Ninety-nine percent represents approximately 17,400,000 SSN requests processed in FY 2005 and FY 2006.*

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

Strategic Objective 2.3: Increase the accuracy of earnings records

2.3a — Process 99 percent of annual earnings items received

FY 2005 Goal:	99%
Performance:	100%
Goal Met:	Yes

Discussion: Earnings records are the basis for the OASDI benefit payment calculation. The earlier that errors are identified and corrected and items correctly posted, the greater the benefit to the public. Further, accuracy and timeliness of earnings record postings ensures a more accurate benefit estimate of retirement, survivor and disability benefit as well as accurate benefit amounts once an individual becomes entitled.

SSA has encouraged employers to increase use of electronic filing of W-2 forms. Much of the public's confidence in Social Security hinges on the reliability of earnings records.

The number of annual earnings items processed depends on the number of earnings items reported. The trend over the past 4 years has shown a decrease in the number of earnings reports (W-2s). The volume each year, however, is difficult to predict because of many variables, not the least of which are the unemployment rate and workers' movements from one job to another. In an effort to better manage the workload, Social Security launched an earnings improvement effort to increase the use of electronic filing by employers. The SSN Verification Service, which allows employers to verify that they are submitting earnings under the correct SSN, has been implemented on the Business Services Online site with positive results. The feedback from employers has been very positive, accuracy of the earning record has improved and the movement of employers to self-service online is significant. Items submitted are received on a timelier basis.

Trend: This is a new measure for FY 2005.

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. **Note:** *Ninety-nine percent represents approximately 264,300,000 earnings items processed in FY 2005 and 259,600,000 in FY 2006.*

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

2.3b — Increase the percent of incoming earnings items removed from the earnings suspense file for a new tax year

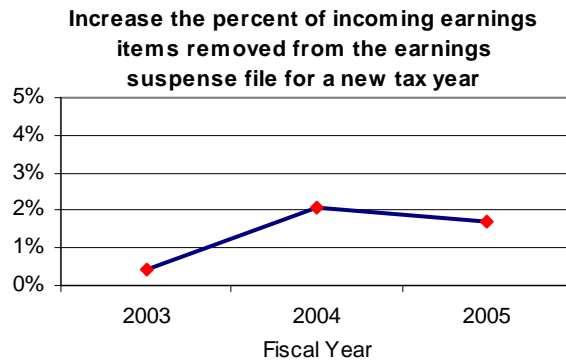
FY 2005 Goal:	5%
Performance:	2%*
Goal Met:	No

Discussion: Earnings are the primary basis used to determine the amount of benefits payable to OASDI beneficiaries. When an earnings report (W-2 or a report of self-employment income) cannot immediately be matched with an individual because of inconsistent identifying data—name or SSN—the reported earnings are placed in what is known as the *Earnings Suspense File* until a the Agency succeeds in properly associating the earnings to the right individual. Removing items from the suspense file and more effectively managing the suspense file are essential features of SSA's goal for improving earnings record accuracy. SSA has an educational campaign to inform the wage reporting community of various error detection tools available to them.

This was a new goal for FY 2004, and although the Agency did not meet the 5 percent FY 2004 goal, the Agency is making progress. (The FY 2004 achievement was 2.1 percent for tax year 2000.) The Agency continues to develop initiatives to prevent items from entering the suspense file and to remove items that are in the suspense file. New matching software removed about 10 million items since the beginning of FY 2004. Refined matching processes concentrating initially on tax year 2001 earnings in suspense are being created and validated. More extensive use is being made of SSA's enumeration data and self-employment earnings are included.

Trend:

Fiscal Year	Performance	Goal Met?
2003	0.40%	↓
2004	2%*	↓
2005	2%*	↓



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

Notes: In SSA’s FY 2004 PAR, this measure was termed *Percent of incoming earnings items removed from the suspense file at the end of the annual earnings posting cycle*.

Five percent of the items that remain in the suspense file for a tax year is approximately 450,000 items. For 2005 the tax year is 2001, for 2006 the tax year will be 2002.

Data Definition: Items that remain in suspense are wage and self-employment items not matched to an earnings record after all current matching operations for the new tax year are complete. The 5-percent reduction will be achieved by using new matching routines developed by the Office of Quality Assurance and Performance Assessment (OQAPA) and the Office of Systems. These new matching routines supplement the current processes. The percentage is determined by comparing the number of items added to suspense for a tax year to the number later removed by the new processes.

Data Source: Items in the Earnings Suspense File (ESF) at the end of the full posting cycle compared to items removed by the new process

Strategic Objective 2.4: Efficiently manage Agency finances and assets, and effectively link resources to performance outcomes

2.4a — Increase Agency productivity by 2 percent annually on average

FY 2005 Goal: 2%

Performance: 2.7%

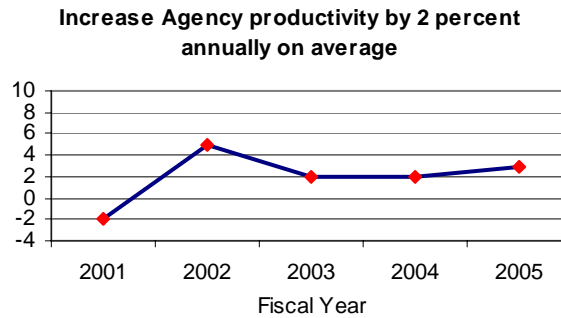
Goal Met: Yes

Discussion: Consistent with the Agency’s Strategic Plan, SSA’s Service Delivery Budget includes a commitment to achieve an average annual productivity increase of 2 percent each year through FY 2008. SSA is very proud of this goal and its performance to date. The public can also be assured that SSA maintains its high standards of productivity and can look forward to improvements each year. The Agency believes that, given the array of services SSA provides and the major workload processing initiatives the Agency implements each year, incremental productivity improvements are sustainable.

SSA has met or exceeded this goal for the last 4 years. The total change over the 4 years from FY 2001 (the base year) through FY 2005 is 12.64 percent. This success can be attributed to the hard work of the Agency’s employees and ongoing efforts to streamline the business processes and automate workloads. As workloads increase, the public benefits when SSA can process more work, while improving processing time and maintaining accuracy.

Trend:

Fiscal Year	Performance	Goal Met?
2001	-2%	n/a
2002	5.1%	n/a
2003	2.1%	↑
2004	2.2%	↑
2005	2.7%	↑



Note: In SSA’s FY 2004 PAR, this measure was termed *Percent improvement in Agency productivity*.

Data Definition: The percent change in productivity is measured by comparing the total number of SSA and Disability Determination Service (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

2.4b —DDS cases processed per workyear (PPWY)

FY 2005 Goal: 278 cases PPWY

Performance: 260 cases PPWY*

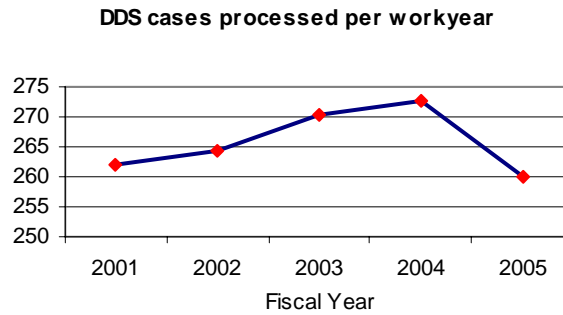
Goal Met: No

Discussion: This goal measures, the average number of cases processed by an individual DDS employee during the fiscal year. This count represents outcomes that are directly linked to overall Agency performance. Efficient and effective management of Agency resources is the key to success under this goal.

Until this fiscal year, the number of cases PPWY has increased each year since FY 2001, keeping pace with the record number of initial disability claims received in the DDS offices. In FY 2005, the DDS cases PPWY fell to a level well below prior years. The implementation of the new eDib claims process required changes in business processes and systems enhancements, start-up activities, training, learning curve, and working simultaneously in the old and new process. SSA expects to realize benefits from efficiencies gained with full implementation of the eDib process and, beginning next year, return to or exceed the performance levels of recent years. In addition, the Agency believes that future enhancements to the eDib process will allow SSA to achieve even higher increases in performance.

Trend:

Fiscal Year	Performance	Goal Met?
2001	262	n/a
2002	265	n/a
2003	270	↑
2004	273	↑
2005	260*	↓



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

Data Definition: This 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

2.4c — Number of SSA hearings cases processed per workyear (PPWY)

FY 2005 Goal: 103

Performance: 102*

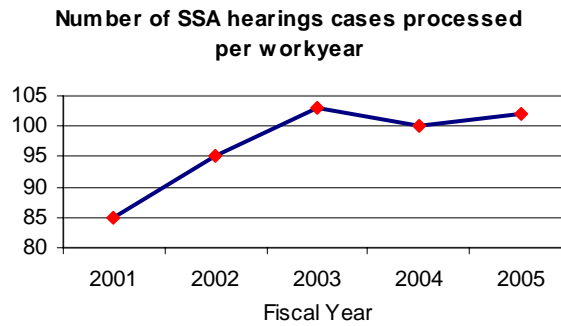
Goal Met: Almost

Discussion: In line with timeliness and quality, this indicator measures the average number of hearings processed by an individual employee during the fiscal year. SSA strives to maximize productivity to ensure that the public receives the best return from the resources that their tax dollars support with careful management of its human resources. The Agency's current initiatives to improve and shorten the hearing process, in addition to providing better service, also improve efficiency and productivity. These initiatives include the eDib process and increased use of video hearings.

Annual productivity in this area increased yearly from FY 2001 through FY 2003. There was a slight dip in FY 2004. The increase over the past few years primarily is due to the rise in individual ALJ productivity. Hiring a total of 100 new ALJs in February 2005 contributed to the increase in the number of SSA hearings processed as they become more experienced toward the end of the fiscal year. The OHA worked with the Regional Chief ALJs to monitor the output from the new judges and identify training needs and workload issues.

Trend:

Fiscal Year	Performance	Goal Met?
2001	85*	n/a
2002	95*	n/a
2003	103*	↑
2004	100*	↗
2005	102*	↗



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

Data Definition: This 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, Administrative Law Judge (ALJ) travel, leave, holidays, etc.

Data Source: Office of Hearings and Appeals (OHA) Monthly Activity Reports, the Case Processing and Management System (CPMS), Payroll Analysis Recap Report, Time and Attendance Management Information System, OHA Bi-weekly Staffing Report, and Training Reports

2.4d — Maintain zero outside infiltrations of SSA’s programmatic mainframes

FY 2005 Goal: 0 infiltrations
Performance: 0 infiltrations
Goal Met: Yes

Discussion: With the volume of personal and confidential information housed in SSA’s mainframe systems, the Agency takes its role to guard this information very seriously. SSA reviewed and implemented industry “best practices,” to ensure that information security corresponds to the critical importance and sensitive nature of the information it processes and maintains. SSA’s Risk Management Program ensures a continuous review and monitoring of development, implementation, and maintenance of the automated systems critical to the Agency’s mission. In addition to ensuring the security of Agency information systems and the integrity and privacy of the personal information, SSA also provides safe and secure environments in which employees can work and the public can transact business.

SSA has never had an outside infiltration of its programmatic mainframes. The Agency employs an Intrusion Protection Team and Agency-wide Security Response Team, as well as routine contact with the Federal Computer Incident Response Center to exchange up-to-date information on threats and countermeasures.

Trend:

Fiscal Year	Performance	Goal Met?
2001	0	n/a
2002	0	n/a
2003	0	↑
2004	0	↑
2005	0	↑

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

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

FY 2005 Goal: 15%

Performance: 5%

Goal Met: No

Discussion: MCAS focuses on critical performance and financial information needed by managers and employees, and promotes performance accountability for Social Security programs. As stewards of the Social Security Trust Fund, SSA must also model appropriate information management processes to ensure accountability for workloads. The Agency's MCAS includes a number of projects designed to update the cost analysis system, reporting systems, workload measurement systems, and system access. The integration of financial and performance management systems will allow the Agency to routinely assess performance and financial information in order for local managers to make more timely and efficient day-to-day decisions.

Delivery of the first release of the Cost Analysis System Replacement was scheduled for September 2005. Meeting this date would have allowed the Agency to meet its performance goal. After the inception of MCAS and the closely related SUMS effort, the project was expanded to include the Time Allocation System effort. The Time Allocation System will use routine data captured from the Agency's automated workload transaction systems and support functions to measure the work time expended on work activities. This will provide accurate, timely and detailed information on the way that these workloads are handled and the resources that they require. Implementing the Time Allocation System has entailed a considerable resource burden on all involved components. Because of the high value of the Time Allocation System, SSA has accepted and endorsed delays in delivery of certain applications in order to make resources available for its pursuit. Release 1 of Time Allocation System is scheduled for January 2006. Release 1 of the MCAS has been postponed until March 2006 to facilitate that effort.

Trend: This is a new measure for FY 2005.

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

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

2.4f — Receive an unqualified opinion on SSA’s financial statements from the auditors

FY 2005 Goal: Receive an unqualified opinion
Performance: Received an unqualified opinion
Goal Met: Yes

Discussion: SSA is committed to providing data that is complete and reliable. In accordance with the Chief Financial Officer’s Act of 1990, SSA’s financial statements were independently audited by PricewaterhouseCoopers. The 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. In their audit, PwC found that SSA’s financial statements, as contained in the FY 2005 PAR, were presented fairly in all material respects and were in conformity with accounting principles generally accepted in the United States. The Agency has a strong and continued commitment to sound financial management practices and has received an unqualified independent auditor’s opinion every year since 1994.

Trend: SSA received an unqualified audit opinion every year from FY 1994 – FY 2005.

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































2.4g — Get to “green” on four of five President’s Management Agenda (PMA) initiatives

FY 2005 Goal: Maintain an overall status rating of “green” on four of five PMA initiatives
Performance: Maintained an overall status rating of “green” on three of five PMA initiatives
Goal Met: No

Discussion: The PMA helps guide Federal agencies in establishing strategies to improve management and performance of their respective programs, and assures accountability for Agency activities. Every American and many foreign workers rely on SSA to provide quality, timely service. SSA takes seriously its role in their lives. For this reason, SSA uses the PMA as an important tool to guide process improvements toward results-oriented outcomes.

In the OMB’s role to track agencies’ efforts to implement the PMA initiatives, it uses a scorecard that uses a simple “traffic light” grading system. As good stewards for the individuals who are contributing to and benefiting from the Social Security and SSI programs, the Agency is committed to this goal to get to “green” on four of the five PMA initiatives.

Trend: The following summarizes SSA’s performance under the PMA for FY 2003 through FY 2005:

PMA Plan	September 2003		September 2004		September 2005	
	Status	Progress	Status	Progress	Status	Progress
Strategic Management of Human Capital	 Yellow	 Green	 Green	 Green	 Green	 Green
Competitive Sourcing	 Red	 Green	 Yellow	 Green	 Yellow	 Green
Improved Financial Performance	 Green	 Green	 Green	 Green	 Green	 Green
Expanded Electronic Government	 Yellow	 Green	 Yellow	 Yellow	 Yellow	 Green
Budget and Performance Integration	 Yellow	 Green	 Green	 Green	 Green	 Green

SSA’s scorecard can be viewed, along with the other Federal Agency scorecards, at <http://www.whitehouse.gov/results/agenda/scorecard.html>

Note: In SSA’s FY 2004 PAR, this performance measure was titled “Get to green” on all five PMA initiatives.

Data Definition: Receiving a “green” score on the *President’s Management Agenda* (PMA) initiative status scores.

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

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

Strategic Objective 3: Through education and research efforts, support reforms to ensure sustainable Solvency and more responsive retirement and disability programs

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

FY 2005 Goal: Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms.

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

Goal Met: Yes

Discussion: Although SSA implements Social Security programs and policies, it does not set policy related to solvency. This does not, however, diminish SSA's role in the solvency of the Trust Fund. Solvency is directly tied to SSA's mission, *To advance the economic security of the Nation's people...* The Agency has a vested interest in the future of the programs it administers and provides the information necessary for the Administration and Congress to pursue thoughtful debate and examination of how to stabilize the economic base for Old-Age, Survivors and DI benefits.

This was a new performance measure beginning in FY 2003. For the past 3 years, SSA has conducted numerous analyses related to Social Security reforms for the Administration and Congress. Particularly during FY 2005 SSA officials frequently provided briefing papers, testimony, and responses to questions. SSA will continue to support the Administration and Congress to the extent necessary to support discussions and analyses of the Agency's programs.

Note: In SSA's FY 2004 PAR, this measure was titled *Provide support to the Administration and Congress in developing legislative proposals to achieve sustainable solvency for Social Security and implementing reform legislation.*

Trend: This was a new measure beginning in FY 2003. SSA met this goal in FY 2003 and FY 2004 by conducting analyses related to Social Security reforms.

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

Data Source: Office of Policy records

3.1b — Measure of public’s knowledge of Social Security programs and related issues, including long-range financing

FY 2005 Goal: Develop a new performance measure and establish related goals.

Performance: This performance measure has been discontinued

Goal Met: N/A

Discussion: SSA has provided service and programs to the American people for over 70 years. These services and programs have evolved to better meet the needs of a changing society. Increased public awareness of SSA’s programs and challenges ensures constructive feedback on how the Agency can improve. In addition, the public must be knowledgeable about the available programs and services in order to take advantage of Social Security programs and services in their daily lives. Through outreach programs, educational efforts, improvements to the *Social Security Online* web page, and improving access to person-to-person information, SSA has been proactive in increasing the public’s knowledge of Social Security.

This performance measure was discontinued in FY 2005. In the past, it was measured by a cumulative knowledge score on the *Public Understanding Measurement System* (PUMS) annual survey. The most recent survey, *PUMS VI*, conducted by the Office of Communication’s contractor, did not provide a cumulative score. Rather, each individual question was analyzed separately.

Note: In SSA’s FY 2004 PAR, this measure was titled *Percent of adult Americans knowledgeable about Social Security programs and related issues, including long-range financing*.

Trend: Not available – This was a new measure for FY 2003, but a baseline was never developed.

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 conducted in November 2004

3.1c — Issue annual SSA-initiated *Social Security Statements* to eligible individuals ages 25 and older

FY 2005 Goal: 100%

Performance: 100%

Goal Met: Yes

Discussion: In line with improving the public’s knowledge of Social Security’s programs is the issuance of the *Social Security Statement*. The *Social Security Statement* informs workers of their posted earnings for each year, provides OASDI benefit estimates, and provides valuable information about Social Security programs and services. The *Statement* allows members of the public to take ownership of their future and to ensure the accuracy of SSA’s information regarding their earnings.

SSA began issuing the *Statement* in 1999 in an effort to educate workers and help them to begin planning for retirement earlier in life. The Agency established this as a performance measure in FY 2005 as a means to highlight the importance of providing this service. Solvency of the Trust Funds is of concern to many in the working population. By providing annual estimates of benefits payable, workers will become more informed about the future of Social Security and their stake in the solvency issue and debate.

Trend: This is a new measure for FY 2005.

Data Definition: As required by law, SSA issues annual *Social Security Statements* to all eligible individuals (SSN holders age 25 and older who are not yet in benefit status and for whom we can determine a current mailing address). The *Statement* contains information about future financial challenges facing the trust funds, information about Social Security benefit programs, and personal benefit estimates.

Data Source: *Executive and Management Information System* (EMIS)

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support SSA's mission

Strategic Objective 4: Recruit, develop and retain a high-performing workforce

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

FY 2005 Goal: Identify job-specific competencies for 100 percent of the remaining targeted public contact positions – Benefit Authorizers, Claims Authorizers, and Technical Support Technicians

Performance: Completed

Goal Met: Yes

Discussion: SSA's public contact positions are the face of the Agency and its programs. It is critical that staff in these positions reach high levels of competence as quickly as possible. Training is an important component of ensuring this competency. However, in order to properly target training and evaluation programs, the Agency needs to first identify the job-specific knowledge, skills, and abilities necessary for successful performance in each of these public contact positions.

A competency-based plan for instructions shifts the learners from achieving a single instructional objective to focusing on the acquisition of competencies during the training. The instruction, training objectives, and training materials are all centered around the required competencies. The competencies for these technical positions were identified through an extensive data collection effort involving both technicians and management officials.

Trend: This was a new measure for FY 2005.

Data Definition: Job-specific competencies are the knowledge, skills, and abilities associated with high or superior performance on the job as it exists today. The job-specific competencies are identified by working with SSA components and private sources. **Note:** *There are six targeted public contact positions in Field Offices, Teleservice Centers, and Program Service Centers. In FY 2003, SSA developed job-specific competencies for three of the direct service mission-critical positions: Claims Representative (CR), Service Representative (SR) and Teleservice Representative (TSR) in Field Offices and Teleservice Centers. In FY 2004, redesigned competency-based training was developed for the CR and SR positions. In FY 2005, OHR plans to identify competency-based entry-level training for three additional mission-critical positions, and in FY 2006, OHR plans to develop competency-based training for them. The three mission-critical positions are Benefit Authorizers (BA), Claims Authorizers (CA), and Technical Support Technicians (TST) in the Program Service Centers. The BAs, CAs, and TSTs provide direct service to the public and are responsible for making critical decisions to determine the amount of benefits paid to individuals.*

Data Source: Office of Human Resources

4.1b — Align employee performance with Agency mission and strategic goals

FY 2005 Goal:

1) Implement a multi-tiered results-oriented performance assessment system for wage grade and GS-14 and below employees who are covered by the American Federation of Government Employees (AFGE) during the fiscal year in which the new agreement is implemented.

2) Develop a communication plan to facilitate implementation of the new performance plan after completion of union negotiations.

Performance: Delayed

Discussion: In August 2005, SSA and the AFGE reached an agreement on a new 4-year National Agreement. Because of the complexity of the negotiated changes to the performance management process and related subjects for AFGE covered employees, implementation of the provisions of the 2005 National Agreement regarding performance assessments, awards and within-grade increases is delayed to allow the Agency sufficient time to develop the instructions and training needed to properly effectuate the agreement.

A communication plan is in development with notice to be released in the second quarter of FY 2006. Similarly, Agency-level workgroups have been formed to develop training for delivery in late FY 2006. The Agency will rollout and implement the multi-tiered results-oriented performance assessment system October 1, 2006.

Trend: This is a new measure for FY 2005.

Data Definition: Performance assessments are performance appraisal systems that provide for ongoing interaction and communication on performance between employee and manager tailored to the component/employee. The performance appraisal system will help align the employee performance element to Agency strategic goals and objectives and make distinctions between levels of performance.

Data Source: Office of Human Resources records.

Program Assessment Rating Tool (PART) Measures

The PART is a diagnostic tool designed by the OMB to examine different aspects of program performance to identify the strengths and weaknesses of a given Federal program. The DI and SSI Aged programs were selected for the initial assessment period 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 and the results were published in the President's FY 2006 Budget. SSA did not have any new programs assessed in FY 2005.

OMB's finding from the assessments of the DI and SSI programs are consistent with the areas SSA identified as requiring attention. SSA continues to work with the OMB to ensure that plans are developed and implemented to improve program performance and address the following PART findings:

DI program

- Improve the disability claims process by fully implementing technology to eliminate the need to store, locate and mail millions of paper filers 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 Program

- Speed up and increase the accuracy of the process used to determine whether an applicant for benefits is disabled.
- Better connect SSI recipients with expanding employment opportunities for individuals with disabilities.
- Address payment accuracy issues by aggressively pursuing strategies outlined in the SSI Corrective Action plan, such as simplifying income reporting requirements.

SSA’s *Strategic Plan, APP*, and budget requests all address OMB’s findings from the assessments. In addition, the performance measures and targets below were provided by SSA and used by the OMB and SSA to evaluate the effectiveness of the DI and SSI programs. It should be noted that of the nine PART measures, eight are also Government Performance and Results Act measures.

Disability Insurance and Supplemental Security Income PART Measures	Target Met?	See page for detailed discussion
Average processing time for initial disability claims	↑	71
Average processing time for hearings	↑	72
Disability Determination Service (DDS) net accuracy rate (allowances and denials combined)	↔	74
Number of DI and SSI beneficiaries, with tickets assigned, who work (over CY 2003 baseline of 14,052)	↑	77
Percent of SSI payments free of preventable overpayments	↔	87
Percent of SSI payments free of preventable underpayments	↔	87
Disability Determination Services (DDS) cases processed per workyear (PPWY)	↓	96
Number of SSA hearings cases processed per workyear (PPWY)	↔	97
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	↑	106
(Note: Not a performance measure for the APP)		

The following describes the non-GPRA PART performance measure:

PART Measure – 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

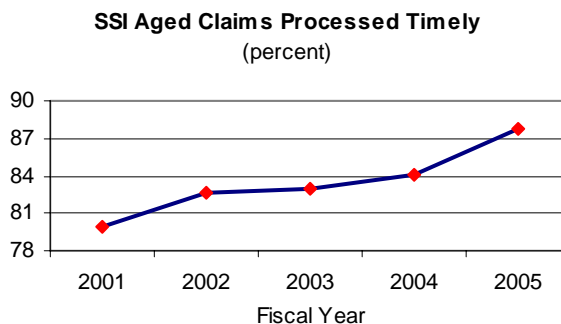
FY 2005 Goal: 75%

FY 2005 Performance: 88%*

SSA met its goal. The goal was increased from 70 percent to 75 percent for FY 2005 because SSA has demonstrated increased performance over the past few years. SSI payments are made to qualified individuals who have limited income and financial assets. The Agency has provided and will continue to provide sufficient resources through this program to ensure that the needs of this segment of the population are met and that the claims are processed as expeditiously as possible. SSA's performance reflects a national commitment to make timely and accurate payments to SSI Aged recipients.

Trend:

<u>Fiscal Year</u>	<u>Performance</u>	<u>Goal Met?</u>
2001:	80%*	n/a
2002:	83%*	n/a
2003:	83%*	↑
2004:	84%*	↑
2005:	88%*	↑



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

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

Data Source: The SSI Operational Data Store System.

Program Evaluation

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

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

The OMB's PART was developed to assess and improve program performance so that the Federal government can achieve better results. SSA's DI and SSI programs have been evaluated using the PART. However, in agreement with OMB, in FY 2005, no additional SSA programs were subject to the PART assessment.

Following are brief summaries of selected evaluations completed during FY 2005, arrayed by the strategic goals in SSA's *Strategic Plan*. Copies of the complete results can be obtained by writing to:

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

Strategic Goal 1: SERVICE

To deliver high quality, citizen-centered SERVICE

Enumeration at Entry

In October 2002, SSA implemented a process whereby the Department of State (State) and the DHS would provide SSA with information collected as part of the immigration process to enable the automatic assignment of SSNs and issuance of Social Security cards to lawfully admitted aliens. SSA calls this process Enumeration at Entry.

In FYs 2004 – 2005, SSA conducted a study to evaluate the Enumeration at Entry process. Key findings from the study were that 12.8 percent of Enumeration at Entry-issued SSNs resulted in the same individual being assigned two different SSNs. This was because the immigrant filed the Form-SS-5 for a SSN either previous to, or subsequent to, the processing of the Enumeration at Entry transaction, and the information provided to SSA from the Enumeration at Entry process was different than the SSN application. SSA was informed of and cross-referred one-third of the Enumeration at Entry-related multiple SSNs. Ultimately 8.5 percent of the Enumeration at Entry-issued SSNs resulted in multiple SSNs that were not cross-referred on SSA's records. These are considered "critical errors" in SSA's enumeration process. In comparison, only 2.6 percent of all original SSNs assigned to aliens through the regular (i.e., SS-5) enumeration process resulted in multiple SSNs that were not cross-referred. The reasons discovered for this significant incidence of multiple SSNs in Enumeration at Entry cases included:

- The Enumeration at Entry process is prone to multiple SSN applications being filed at the Foreign Service post and at the field office on arrival in the United States.
- Immigrants who indicated on their State's Application for Immigrant Visa and Alien Registration declined a SSN but one was still issued; or they were previously assigned a SSN during an earlier period of United State's residency and requested another SSN through Enumeration at Entry.
- Limitations in the ability of SSA's automated enumeration verification matching routines to distinguish multiple requests for a SSN by the same person.
- Data entry errors regarding compound surnames and dates of birth at the Foreign Service Post that are not corrected at subsequent points in the immigration process.
- Enumeration procedures are not always being followed by SSA employees.

As a result of this evaluation, SSA management was provided with specific information that led to the decision to place on hold the further expansion of the Enumeration at Entry process to additional categories of immigrants until necessary corrective actions are taken by State, the DHS and SSA. The findings from this evaluation have been communicated.

Enumeration Review

The Office of Quality Assurance and Performance Assessment conducts an Enumeration Process Quality Review to measure the quality of SSN issuances. Data from this review are used to determine whether the Agency's meets the annual performance goal for issuing SSNs that are free of critical error. The FY 2004 performance goal for this objective was 99.8 percent. However, the goal was established based on the definition of critical error that had been previously in effect through FY 2003; i.e., a misassigned SSN that is either an assignment of an SSN that belongs to someone else or a multiple SSN that is not cross-referred on the existing records. Effective with the Enumeration Process Quality Review for FY 2004, the definition of critical error was brought into alignment with the policy requiring collateral verification of evidentiary documents with the issuing Agency and expanded to include verification that the sampled individual was entitled to receive the SSN based on supporting documentation (i.e., U.S. Citizenship and Immigration Service documents for aliens and birth certificates for U.S. born applicants age 1 or over). The FY 2004 accuracy rate under the newly aligned definition was 99.0 percent. The difference between the observed rate and the Agency goal is considered statistically significant. However, had the previous definition of SSN accuracy that did not include the requirement for collateral verification of evidentiary documents still been in place, the accuracy rate would have been 99.7 percent, which is not statistically different from the Agency goal. The decrease in the current accuracy rate is due almost entirely to the change in the definition of critical error.

800 Number Expanded Hours Survey

The survey was conducted with callers who contacted SSA's 800 number during late-night and weekend hours, with live service being offered as part of a pilot that began in FY 2002 and will continue through FY 2006. Service with expanded hours was not advertised to the public, except in 3 states where the 800 number automated message was modified to mention the expanded hours. The purpose of the study was to determine the reasons for after-hours calls, caller expectations for expanded hours, and caller satisfaction with the service to aid in Agency planning.

The primary reason for calling during expanded hours was the immediacy of the need for help, e.g., a benefit-affecting change had occurred. Over 40 percent of those surveyed said they had expected to be able to speak with a live representative; and more than half said that in the future, they would prefer to call during expanded hours. Callers were very positive about the service they received with ninety percent giving it a rating of excellent/very good/good.

Service Satisfaction Surveys

The Office of Quality Assurance and Performance Assessment conducts annual satisfaction surveys of 800 number callers, field office callers and visitors, including both field and hearings office visitors, to support results for the Agency's overall service satisfaction performance measure. Results of the separate surveys are combined to produce a single measure. Individually, the survey results provide a gauge of public satisfaction with SSA's major service delivery channels, including satisfaction with aspects of service such as access and staff courtesy. The FY 2005 combined overall satisfaction rate of 85 percent (rounded from 84.8 percent) was consistent with the previous two years' performance (FY 2004 – 84.2 percent; FY 2003 – 84.9 percent) and sustained the statistically significant improvement that occurred when satisfaction rose in FY 2003 from the FY 2002 rate of 83 percent. Although the combined rating of access for these service delivery channels declined slightly in FY 2005 from 76 percent to 74 percent excellent/very good/good, the high quality service provided by SSA employees, as evidenced by the very favorable ratings they receive for their courtesy, helpfulness, job knowledge and the clarity of their explanations, continues to be a key factor in the overall public perception of the Agency's service. Courtesy in particular received a very high rating of 93 percent excellent/very good/good.

Strategic Goal 2: STEWARDSHIP

To ensure superior STEWARDSHIP of Social Security programs and resources

Retirement, Survivors, Disability Insurance Stewardship Review

The Title II RSI and DI review is based on an annual review of about 1,000 RSI cases and 500 DI cases. The beneficiary or representative payee is interviewed, collateral contacts are made as needed, and all non-medical factors of eligibility are redeveloped. Accuracy rates (percent of dollars paid that are free of O/Ps and the percent of dollars paid that are free of U/Ps) are reported for an overall retirement, survivors, and DI rating, as well as separate accuracy rates for RSI, and DI cases. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities.

In FY 2004, the Title II O/P accuracy rate was 99.5% and the U/P accuracy rate was 99.8%. This is slightly down from the FY 2003 rates of 99.8% for O/Ps and 99.9% for U/Ps (however, this change is not statistically significant).

Because of the small sample size, retirement, survivors and DI error data are viewed over a period of years to aid in identifying trends. The Retirement, Survivors and DI Stewardship data have been used to assist management decision-making regarding the:

- Application of Workers' Compensation offset provisions to ensure that benefit amounts are correctly calculated based on receipt or termination of workers' compensation benefits;
- Resolution of earnings record discrepancies through the implementation of the Earnings Alert Project, which will automate the earnings review for Internet claims and extend the automation of review criteria to all initial claims; and
- Identification of substantial gainful work activity through the implementation of a new tool – e-Work. e-Work is an automated tool for monitoring the CDR workload to ensure these cases are prioritized for timely processing. e-Work allows SSA staff to process and record work activity in a single national web-based database; and it is synchronized with SSA's national database of work and earnings determinations.

Supplemental Security Income Payment Accuracy Stewardship Review

The SSI payment accuracy (Stewardship) review is based on a random, non-medical review of approximately 4,000 SSI cases. The review involves an examination of documents in SSA's records and verification of payment accuracy through contact with recipients, their representatives, and collateral sources such as employers and financial institutions. Information in the stewardship report is used by the Agency in reporting to Congress and other monitoring authorities on the accuracy of SSI payments.

Reductions in resources available for conducting SSI non-disability redeterminations and limited issue cases (reassessments of eligibility factors) had a significant effect on the Agency's ability to improve or even maintain its payment accuracy rate. One of the most significant elements affecting payment accuracy is the volume and mix of these workloads. The FY 2004 volume of field office redeterminations represented a decrease of about 5 percent from FY 2003 and the volume of limited issue cases represented a decrease of nearly 50 percent from FY 2003.

The FY 2004 SSI O/P accuracy rate was 93.6 percent and the U/P accuracy rate was 98.7 percent. This is slightly lower than, but not statistically significant from, the FY 2003 O/P and U/P accuracy rates of 93.9 percent and 98.8 percent, respectively.

Annual Report of the Supplemental Security Income Program

The 2005 report, published by SSA's Office of the Chief Actuary, provides a 25-year forecast spanning the years 2004 to 2029. Significant projections are:

- By 2029, the end of the 25-year projection period, the Federal SSI recipient population is estimated to reach 8.7 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 2004, and is projected to increase gradually to 2.4 percent of the population by 2029.
- Federal expenditures for SSI payments in CY 2005 are estimated to increase by \$2.2 billion to \$36.4 billion, an increase of 6.4 percent from 2004 levels.
- In constant 2005 dollars, Federal expenditures for SSI payments are projected to increase to \$45.8 billion in 2029, a real increase of 1.1 percent per year.
- When compared to the Gross Domestic Product (GDP), Federal SSI expenditures are projected to decline over time, from the current level of 0.29 percent of GDP in 2004 to 0.24 percent of GDP by 2029.

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

Strategic Goal 3: SOLVENCY

To achieve sustainable SOLVENCY and ensure Social Security programs meet the needs of current and future generations

Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance, and Disability Insurance (OASDI) Trust Funds

The OASDI program provides protection against the loss of earnings due to retirement, death, or disability. The OASDI program consists of two separate parts, OASI and DI, which pay monthly benefits to workers and their families. The Social Security Act requires that the Board of Trustees report annually to Congress on the financial and actuarial statistics of the OASI and DI Trust Funds. Congress then uses its legislative authority to adjust benefit amounts to the trust funds, and/or entitlement factors.

Strategic Goal 4: STAFF

Strategically manage and align STAFF to support SSA's mission

Retirement Wave Report

The Retirement Wave report was established to assist Agency leaders in assessing workforce needs and to foster workforce planning by providing objective information to support our human capital initiatives. This report provides each SSA component and region a snapshot of their current workforce and a projection of probable retirement losses. Because it is an early alert for our leaders and managers, they have a tool that guides them in establishing new initiatives that will be successful in addressing leadership and knowledge management

deficiencies. One example of an emerging initiative is a competency-based management training and development program which could also serve to offset the effects of the retirement wave.

To address our future workforce challenges, several initiatives were born from the retirement wave analysis. Some of these initiatives are the:

- Strategic use of the Voluntary Early Retirement Authority to accelerate retirements and, in turn, adequately address succession planning and knowledge management needs;
- Development and maintenance of the “Future Workforce Transition Plan”;
- Revitalized recruitment and retention program;
- Development of a Human Capital Plan; and
- Development of multiple Agency-wide leadership development programs.

As a result of the Agency’s effective, efficient and strategic management of human capital, we have seen some evidence of success in flattening the retirement wave and have created solid mechanisms for leadership succession and knowledge management to maintain efficient operations and mission accomplishment.

Competency Assessment Process Report

Several years ago, SSA realized that concentrated recruitment efforts are a critical aspect to successfully filling vacancies for the Agency’s highly skilled and diverse workforce. Also, because retaining a high-performing workforce will be more critical than ever before, it is equally imperative that the Agency recruit employees who possess skills compatible with the nature of the work that needs to be accomplished.

The Agency determined that successful hiring into the Claims Representative position was especially critical because the majority of employees hired into the Agency’s direct service positions are hired as Claims Representatives. Therefore, in an effort to develop a mechanism that aided the Agency in selecting Claims Representatives with the requisite skills for successful performance, SSA initiated the Competency Assessment Process project. This competency-based interview tool was piloted in the Atlanta, Chicago, and San Francisco Regions for use by field office management in hiring external applicants for the Claims Representative position. The objective of the pilot was to determine whether this competency-based tool enables managers to assess applicants objectively and to select candidates likely to become high performers.

Use of the Competency Assessment Process benefited interviewers in that it:

- Provided a standard process, eliminated the need for individual interviewers to analyze and select the interview questions and assessment criteria to use for a standard position;
- Ensured consistency in the treatment of applicants;
- Focused on past behaviors in the context of the workplace, which could increase the likelihood of a good selection;
- Supported objective decision-making in the event of a employee initiated complaint or appeal; and
- Resulted in successful hires for the Agency.



Financial Section



A Message from the Chief Financial Officer

Fiscal year 2005 has been another successful year for the Social Security Administration (SSA) in the area of financial management, culminating with the Agency receiving an unqualified (clean) opinion on its consolidated financial statements for the 12th consecutive year. The unqualified opinion 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.

SSA also received an unqualified (clean) opinion concerning SSA's assertion about the effectiveness of the Agency's systems of accounting and internal control. I believe the unprecedented recognition SSA received when awarded the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for the seventh consecutive year is evidence of the Agency's commitment to demonstrating accountability and communicating results.

SSA takes pride in ensuring it has effective and efficient internal controls, and has a long history of aggressively correcting control deficiencies cited by our auditors. We have worked effectively and cooperatively, across all SSA components, to enhance information protection and ensure that standard security configurations are established, maintained and enforced. I am especially pleased to report that these demonstrated results are reflected in our audit report which now contains no reportable conditions.

SSA's core accounting system is in compliance with all Office of Management and Budget requirements, incorporates commercial best practices and includes the Agency's core accounting functions. The system interfaces with administrative systems to enhance the Agency's ability to soundly manage assets, and we will continue to invest in infrastructure needed to sustain superior performance into the future.

I am proud that the Agency continues to meet all the standards for obtaining a "green" score in both status and progress for the President's Management Agenda (PMA) Improved Financial Performance initiative. 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 integrate workload counts, processing times and administrative cost data at all levels of the organization. This data will be used to calculate 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 and continue the integration of financial and performance management systems in support of timely and efficient decisions. 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 9, 2005

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2005 and 2004 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2005 and 2004, 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, 2005 and 2004. 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, 2005 and 2004. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2005 and 2004. 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 years ended September 30, 2005 and 2004. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.
- The **Required Supplementary Information: Intragovernmental Amounts** discloses amounts related to Intragovernmental transactions for assets, liabilities and non-exchange revenue for the year ended September 30, 2005.
- 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 Financial Statements or their accompanying footnotes.

Consolidated Balance Sheets as of
September 30, 2005 and September 30, 2004

Assets	(Dollars in Millions)	
	2005	2004
Intragovernmental:		
Fund Balance with Treasury (Note 4)	\$ 5,370	\$ 3,148
Investments (Note 5)	1,809,422	1,635,398
Interest Receivable, Net (Note 6)	23,472	22,315
Accounts Receivable, Net (Note 6)	307	624
Total Intragovernmental	1,838,571	1,661,485
Accounts Receivable, Net (Notes 3 and 6)	6,982	6,182
Property, Plant and Equipment, Net (Note 7)	1,419	1,231
Other	9	9
Total Assets	\$ 1,846,981	\$ 1,668,907
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,642	\$ 3,712
Accounts Payable	8,309	4,993
Other	108	247
Total Intragovernmental	12,059	8,952
Benefits Due and Payable	61,272	51,569
Accounts Payable	394	489
Other	894	1,205
Total	74,619	62,215
Net Position		
Unexpended Appropriations	1,446	1,489
Cumulative Results of Operations	1,770,916	1,605,203
Total Net Position	1,772,362	1,606,692
Total Liabilities and Net Position	\$ 1,846,981	\$ 1,668,907

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

Consolidated Statements of Net Cost for the Years Ended
September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
OASI Program		
Benefit Payments	\$ 432,438	\$ 412,474
Operating Expenses (Note 9)	2,970	2,537
Total Cost of OASI Program	435,408	415,011
Less: Exchange Revenues (Notes 10 and 11)	22	16
Net Cost of OASI Program	435,386	414,995
DI Program		
Benefit Payments	89,731	75,169
Operating Expenses (Note 9)	2,419	2,221
Total Cost of DI Program	92,150	77,390
Less: Exchange Revenues (Notes 10 and 11)	20	15
Net Cost of DI Program	92,130	77,375
SSI Program		
Benefit Payments	36,224	35,216
Operating Expenses (Note 9)	3,083	2,872
Total Cost of SSI Program	39,307	38,088
Less: Exchange Revenues (Notes 10 and 11)	303	293
Net Cost of SSI Program	39,004	37,795
Other		
Benefit Payments	16	13
Operating Expenses (Note 9)	1,729	1,279
Total Cost of Other	1,745	1,292
Less: Exchange Revenues (Notes 10 and 11)	17	15
Net Cost of Other	1,728	1,277
Total Net Cost		
Benefit Payments	558,409	522,872
Operating Expenses (Note 9)	10,201	8,909
Total Cost	568,610	531,781
Less: Exchange Revenues (Notes 10 and 11)	362	339
Total Net Cost	\$ 568,248	\$ 531,442

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)			
	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,605,203	\$ 1,489	\$ 1,453,080	\$ 705
Budgetary Financing Sources				
Appropriations Received		57,874		52,536
Other Adjustments	0	(13)	0	0
Appropriations Used	57,904	(57,904)	51,752	(51,752)
Tax Revenues (Note 12)	588,416		545,345	
Interest Revenues	92,994		87,616	
Transfers-In/Out				
Trust Fund Draws and Other - In	1,289		1,740	
Trust Fund Draws and Other - Out	(505)		358	
Railroad Retirement Interchange	(3,846)		(3,788)	
Net Transfers-In/Out	(3,062)		(1,690)	
Other Budgetary Financing Sources	63		85	
Other Financing Sources				
Transfers-In/Out	(2,818)		5	
Imputed Financing Sources (Note 13)	464		452	
Total Financing Sources	733,961	(43)	683,565	784
Net Cost of Operations	568,248		531,442	
Net Change	165,713	(43)	152,123	784
Ending Balances	\$ 1,770,916	\$ 1,446	\$ 1,605,203	\$ 1,489

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
Budgetary Resources Made Available (Note 14)		
Budget Authority		
Appropriations Received	\$ 754,724	\$ 699,908
Net transfers (+/-)	0	(4)
Unobligated Balances		
Beginning of Period	2,118	930
Net transfers (+/-)	0	(2)
Spending Authority from Offsetting Collections		
Earned		
Collected	4,596	4,319
Change in Receivable	9	(77)
Change in Unfilled Customer Orders		
Advance Received	0	1
Without Advance	0	(1)
Transfers from Trust Funds		
Collected	8,887	8,410
Anticipated	(108)	449
Subtotal	13,384	13,101
Recoveries of Prior Year Obligations	337	222
Temporarily Not Available Pursuant to Public Law	(165,150)	(151,236)
Permanently Not Available	(7)	(7)
Total Budgetary Resources	\$ 605,406	\$ 562,912
Status of Budgetary Resources: (Note 14)		
Obligations Incurred		
Direct	\$ 599,028	\$ 556,563
Reimbursable	4,546	4,231
Subtotal	603,574	560,794
Unobligated Balances		
Apportioned	1,566	1,509
Unobligated Balances - Not Available	266	609
Total Status of Budgetary Resources	\$ 605,406	\$ 562,912
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	\$ 58,264	\$ 58,068
Obligated Balance - End of the Period		
Accounts Receivable	(2,091)	(2,191)
Undelivered Orders	1,352	1,350
Accounts Payable	67,863	59,105
Outlays:		
Disbursements	594,477	560,013
Collections	(13,484)	(12,730)
Subtotal	580,993	547,283
Less: Offsetting Receipts	19,653	16,999
Net Outlays	\$ 561,340	\$ 530,284

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

Consolidated Statements of Financing for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 603,574	\$ 560,794
Less: Offsetting Collections	(13,721)	(13,323)
Obligations Net of Offsetting Collections	589,853	547,471
Less: Offsetting Receipts	(19,653)	(16,999)
Net Obligations	570,200	530,472
Other Resources		
Imputed Financing	464	452
Other	(276)	(305)
Net Other Resources Used to Finance Activities	188	147
Total Resources Used to Finance Activities	570,388	530,619
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	(4)	(201)
Resources that Fund Expenses Recognized in Prior Periods	(714)	1,277
Budgetary Offsetting Collections and Receipts that Do Not affect Net Cost of Operations	19,653	16,999
Resources that Fund Capitalized Costs	(399)	(498)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(21,900)	(17,118)
Total Resources Not Part of the Net Cost of Operations	(3,364)	459
Total Resources Used to Finance the Net Cost of Operations	567,024	531,078
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 15)		
Increase in Annual Leave	6	15
Other	1,019	164
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	1,025	179
Components Not Requiring or Generating Resources		
Depreciation and Amortization	211	181
Other	(12)	4
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	199	185
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	1,224	364
Net Cost of Operations	\$ 568,248	\$ 531,442

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

Notes to the Principal Financial Statements
For the Years Ended September 30, 2005 and 2004
(Presented in Millions)

1. Summary of Significant Accounting Policies

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and 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 Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of 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 Limitation 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.

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 has played 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.

Fund Balance with Treasury

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

Investments

Daily deposits received by the trust funds which are not required to meet current expenditures are invested 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 issue bonds. Special issue bonds 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 Consolidated Balance Sheets. 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. The capitalization threshold for all PP&E categories is \$100,000.

The change in PP&E from one reporting period to the next is presented on the Consolidated Statements 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. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. Title II benefit disbursements are generally made after the end of each month. Title XVI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the Social Security Act requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate 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 Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This is in

compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 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. Refer to 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 Combined Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. SSA's earmarked funds are included in the OASI, DI and LAE programs. Fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation are also considered earmarked funds.

Change in Financial Statement Presentation

PTF Activity

Prior to 2005, SSA reported funds collected through the Taxation of Social Security Benefits as Tax Revenue. SSA has concluded that the presentation of this revenue is more appropriately presented as an other financing source. SSA's Net Position remains unchanged as a result of this presentation change. Revenue totaling \$14 billion for 2004 has been reclassified from Tax Revenue to conform with the new reporting policy.

SSI Federal Overpayment Collections

During FY 2004, SSA reported SSI Federal Overpayment Collections as non-entity assets and disclosed these transactions as Incidental Custodial Collections. Based on recent guidance provided by FASAB, SSA will continue to report the collection of Federal SSI Overpayment Collections as non-entity assets which are due to the U.S. Department of the Treasury. Furthermore, in FY 2005 the SSI Benefit Expense will be reported net of Federal Overpayment Collections received and remitted to Treasury.

2. *Centralized Federal Financing Activities*

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were \$121 and \$125 million for the years ended September 30, 2005 and 2004. SSA contributions to the basic FERS plan were \$226 and \$193 million for the years ended September 30, 2005 and 2004. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were \$79 and \$72 million for the years ended September 30, 2005 and 2004. 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 \$2,582 and \$2,767 million as of September 30, 2005 and 2004. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable, (2) recovery of SSI overpayment collections and (3) fees collected to administer SSI State Supplementation that are returned to the Department of the Treasury General Fund.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are \$2,306 and \$2,611 million as of September 30, 2005 and 2004. The SSI accounts receivable, net has been reduced by \$2,433 and \$2,609 million for FY 2005 and 2004 respectively as intra-agency elimination. Recovery of SSI overpayments as a part of the Fund Balance with Treasury on the Consolidated Balance Sheets is \$2,821 million as of September 30, 2005. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets.

The amounts of fees collected to administer SSI State Supplementation are \$276 and \$273 million for the years ended September 30, 2005 and 2004. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. In FY 2005 the total amount of fees collected, \$276, and in FY 2004 a portion of the fees collected, \$156 million are deposited directly to a Department of the Treasury General Fund appropriation and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. 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)		
	2005	2004		2005	2004
Trust Funds			Unobligated Balance		
OASI	\$ (384)	\$ 46	Available	\$ 1,160	\$ 1,212
DI	(73)	(14)	Unavailable	134	132
LAE	32	102	Obligated Balance not yet		
Appropriated Funds			Disbursed	1,391	1,115
SSI	2,915	2,940	Trust Funds	(425)	134
Other	2,880	74	Deposit & Receipt Accounts	3,110	555
Total	\$ 5,370	\$ 3,148	Total	\$ 5,370	\$ 3,148

The negative fund balances reported for OASI and DI trust funds as of September 30, 2005 and 2004 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 1/4 percent and are payable on June 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 2020.

	2005	2004
Special Issue U.S. Treasury Securities	\$ 1,809,422	\$ 1,635,368
U.S. Treasury Bonds - Carrying value	0	30
Total Investments	\$ 1,809,422	\$ 1,635,398

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 receivable amounts are \$23,472 and \$22,315 million as of September 30, 2005 and 2004.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets in the amounts of \$307 and \$624 million as of September 30, 2005 and 2004 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The LAE gross accounts receivable has been reduced by \$1,775 and \$1,559 million as of September 30, 2005 and 2004 as an intra-agency elimination.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and State SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or receive benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

	2005			2004		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 2,077	\$ (112)	\$ 1,965	\$ 1,948	\$ (98)	\$ 1,850
DI	3,771	(1,291)	2,480	3,199	(1,094)	2,105
SSI*	7,307	(1,777)	5,530	7,113	(1,823)	5,290
LAE	159	0	159	228	0	228
Sub-Total	13,314	(3,180)	10,134	12,488	(3,015)	9,473
Less:						
Eliminations**	(3,152)	0	(3,152)	(3,291)	0	(3,291)
Total	\$ 10,162	\$ (3,180)	\$ 6,982	\$ 9,197	\$ (3,015)	\$ 6,182

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

In a prior period, SSA determined that a group of 228,000 SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables from both the OASI and SSI programs with an offsetting payable in the DI program.

Current estimates indicate that there are about 117,000 SDW cases remaining. For FY 2005, SDW receivables are included in the amounts in Chart 6. OASI SDW receivables are \$719 and \$682 million as of September 30, 2005 and 2004. DI SDW receivables are less than \$1 million as of September 30, 2005 and 2004. SSI SDW net receivables are \$2,138 and \$2,437 million as of September 30, 2005 and 2004.

Chart 6 shows that in FY 2005 and 2004, gross accounts receivable was reduced by \$3,152 and \$3,291 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 allowances for doubtful accounts.

7. *Property, Plant and Equipment*

Property, Plant and Equipment, Net as reported on the Consolidated Balance Sheets is reflected by major class in chart 7.

Chart 7 - Property, Plant and Equipment as of September 30:
(\$ in millions)

Major Classes:	2005			2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 5	\$ 0	\$ 5	\$ 5	\$ 0	\$ 5
Buildings	381	(195)	186	386	(190)	196
Equipment (incl. ADP Hardware)	378	(314)	64	340	(268)	72
Internal Use Software	1,561	(408)	1,153	1,202	(262)	940
Leasehold Improvements	189	(178)	11	188	(170)	18
Total	\$ 2,514	\$ (1,095)	\$ 1,419	\$ 2,121	\$ (890)	\$ 1,231

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)						
	2005			2004		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	\$ 3,642	\$ 0	\$ 3,642	\$ 3,712	\$ 0	\$ 3,712
Accounts Payable	1	8,308	8,309	3	4,990	4,993
Other	55	53	108	38	209	247
Total Intragovernmental	3,698	8,361	12,059	3,753	5,199	8,952
Benefits Due and Payable	59,003	2,269	61,272	50,318	1,251	51,569
Accounts Payable	94	300	394	182	307	489
Other	291	603	894	227	978	1,205
Total	\$ 63,086	\$ 11,533	\$ 74,619	\$ 54,480	\$ 7,735	\$ 62,215

Accrued Railroad Retirement Interchange

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments. Also included in the Not Covered Intragovernmental Accounts Payable amount is \$276 million as of September 30, 2005 for SSI State Fees payable to the Department of the Treasury General Fund. The FY 2004 portion of the SSI state fees is included in Intragovernmental Other Liabilities.

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 million as of September 30, 2004 for SSI State Fees payable to the Department of the Treasury 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 is \$53 million as of September 30, 2005 and 2004.

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, 2005 and 2004. 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.

	2005	2004
OASI	\$ 39,213	\$ 37,055
DI	22,375	16,048
SSI	2,836	1,757
Sub-Total	64,424	54,860
Less: Intra-agency eliminations	(3,152)	(3,291)
Total	\$ 61,272	\$ 51,569

The estimation methodology used to develop unadjudicated claims for OASDI has been revised substantially as a result of an evaluation of the data used to prepare the estimates. This review resulted in significant revisions to three components of the liability estimates: (1) the allocation of pending cases by type of claim, (2) the average amounts assigned to pending cases expected to be awarded benefits, and (3) the estimated average durations for which a liability will be assigned. As a consequence, the amounts of the estimated OASI, DI, and SSI liabilities have increased from September 30, 2004 to September 30, 2005 significantly beyond what might have been expected based solely on the change in the number of pending cases and the effects of wage and price inflation on OASDI benefit amounts.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are \$331 and \$327 million as of September 30, 2005 and 2004. DI payables are \$4,139 and \$4,516 million as of September 30, 2005 and 2004. In FY 2005, 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 2005 and 2004, gross Benefits Due and Payable was reduced by \$3,152 and \$3,291 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Interest and Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2005 and 2004.

	2005	2004
Net DI Liability	\$ 4,139	\$ 4,516
Net OASI Receivable	(388)	(355)
Net SSI Receivable	(2,138)	(2,437)
Net Liability Due to the Public	\$ 1,613	\$ 1,724

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment is set up as an accounts payable until payment is made to the states.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA actuarial liability. The non-current portion of \$285 and \$288 as of September 30, 2005 and 2004 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, which includes the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

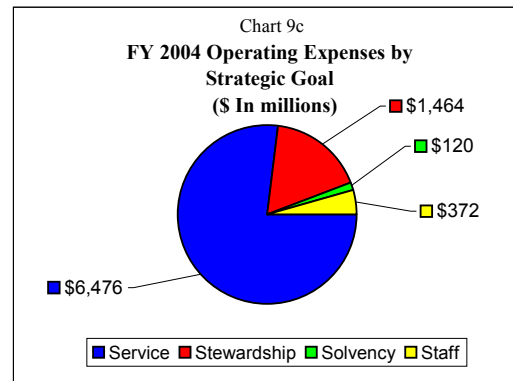
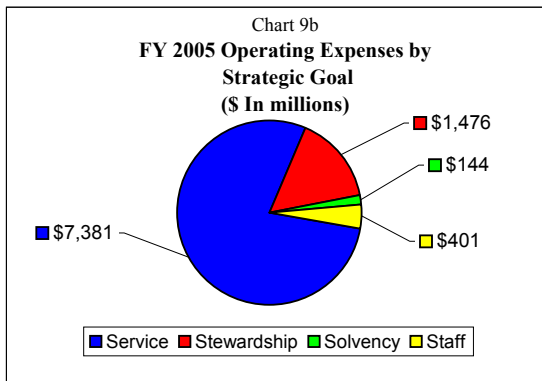
Chart 9a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2005						
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,368	\$ 34	\$ 568	\$ 0	\$ 2,970	
DI	2,239	33	99	48	2,419	
SSI	2,999	0	0	84	3,083	
Other	1,703	26	0	0	1,729	
	<u>\$ 9,309</u>	<u>\$ 93</u>	<u>\$ 667</u>	<u>\$ 132</u>	<u>\$ 10,201</u>	
Chart 9a - SSA's Operating Expenses by Major Program as of September 30:						
2004						
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,209	\$ 29	\$ 299	\$ 0	\$ 2,537	
DI	2,089	28	51	53	2,221	
SSI	2,798	0	0	74	2,872	
Other	1,257	22	0	0	1,279	
	<u>\$ 8,353</u>	<u>\$ 79</u>	<u>\$ 350</u>	<u>\$ 127</u>	<u>\$ 8,909</u>	

Classification of Operating Expenses by Strategic Goal

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire agency. The four goals are:

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

Chart 9b and 9c exhibit distribution of FY 2005 and 2004 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 \$362 and \$339 million for the years ended September 30, 2005 and 2004. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 22 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 \$276 and \$273 million for the years ended September 30, 2005 and 2004. In addition, SSA earned \$86 and \$66 million for the years ended September 30, 2005 and 2004 in other exchange revenue.

11. Costs and Exchange Revenue Classifications

Chart 11 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 13, Imputed Financing for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, and payroll and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states portion of SSI payments. The Other program, primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 11- Costs and Exchange Revenue Classifications as of September 30:
(\$ in millions)

	2005			2004		
	Gross Cost	Less Exchange Revenue	Net Cost	Gross Cost	Less Exchange Revenue	Net Cost
OASI Program						
Intragovernmental	\$ 1,220	\$ (18)	\$ 1,202	\$ 841	\$ (15)	\$ 826
Public	434,188	(4)	434,184	414,170	(1)	414,169
OASI Subtotal	435,408	(22)	435,386	415,011	(16)	414,995
DI Program						
Intragovernmental	718	(17)	701	573	(14)	559
Public	91,432	(3)	91,429	76,817	(1)	76,816
DI Subtotal	92,150	(20)	92,130	77,390	(15)	77,375
SSI Program						
Intragovernmental	821	(24)	797	691	(19)	672
Public	38,486	(279)	38,207	37,397	(274)	37,123
SSI Subtotal	39,307	(303)	39,004	38,088	(293)	37,795
Other Program						
Intragovernmental	374	(10)	364	314	(9)	305
Public	1,371	(7)	1,364	978	(6)	972
Other Subtotal	1,745	(17)	1,728	1,292	(15)	1,277
Total	\$568,610	\$ (362)	\$568,248	\$531,781	\$ (339)	\$531,442

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 FICA/SECA income tax credits. Chart 12 reflects the amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues.

	2005	2004
Estimated Employment Taxes Credited to SSA	\$ 591,057	\$ 553,647
Adjustments	(2,641)	(8,302)
Total Tax Revenues	\$ 588,416	\$ 545,345

13. Imputed Financing

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of \$829 and \$782 million for the years ended September 30, 2005 and 2004 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of \$464 and \$452 million for the years ended September 30, 2005 and 2004 that represents annual service cost not paid by SSA.

14. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of \$754,724 and \$699,908 million for the years ended September 30, 2005 and 2004. Appropriations Received on the Consolidated Statements of Changes in Net Position are \$57,874 and \$52,536 million for the same years. The differences of \$696,850 and \$647,372 million represent appropriated trust fund receipts in OASI and DI. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also

recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects or a combination of these categories are classified as Category B. Chart 14a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A, Category B, and Exempt from Apportionment. The addition of Category A consists of Medicare Reform and Medicare Appeals distributed quarterly in the FY 2005 Budget.

	2005			2004		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	\$ 427	\$ 0	\$ 427	0	0	0
Category B	589,611	4,546	594,157	\$ 543,416	4,231	\$ 547,647
Exempt	8,990	0	8,990	13,147	0	13,147
Total	\$ 599,028	\$ 4,546	\$ 603,574	\$ 556,563	\$ 4,231	\$ 560,794

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, Foster Care Independence Act of 1999. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, their SSI benefits would terminate the month after the veterans leave the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the 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 14b displays trust fund activities and balances. The entire trust fund balances, ending are included in Investments on the Consolidated Balance Sheets.

Chart 14b - Trust Fund Activities as of September 30:
(\$ in millions)

	2005	2004
Trust Fund Balance, Beginning	\$ 1,578,149	\$ 1,426,913
Receipts	696,858	647,363
Less Obligations	531,708	496,127
Excess of Receipts Over Obligations	165,150	151,236
Trust Fund Balance, Ending	\$ 1,743,299	\$ 1,578,149

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 Combined Statement of Budgetary Resources and the Budget of the United States Government.

15. 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 \$11,533 and \$7,735 million as of September 30, 2005 and 2004, represent SSI receivables and collections 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 Consolidated Statements of Financing, as Total Components of Net Cost of Operations, that will require or Generate Resources in Future Periods of \$1,025 and \$179 million for the years ended September 30, 2005 and 2004, represent the change in SSA expenses for adjudicated and unadjudicated SSI benefits due and payable and leave earned but not taken.

16. 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, 2005.

Other Accompanying Information: Balance Sheet by Major Program
as of September 30, 2005

Assets	Dollars in Millions						
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ (384)	\$ (73)	\$ 2,915	\$ 2,880	\$ 32	\$ 0	\$ 5,370
Investments *	1,616,159	193,263	0	0	0	0	1,809,422
Interest Receivable, Net	20,934	2,538	0	0	0	0	23,472
Accounts Receivable, Net	2	1	0	0	2,079	(1,775)	307
Total Intragovernmental	1,636,711	195,729	2,915	2,880	2,111	(1,775)	1,838,571
Accounts Receivable, Net	1,965	2,480	5,530	0	159	(3,152)	6,982
Property, Plant and Equip., Net	0	0	0	0	1,419	0	1,419
Other	0	0	0	0	9	0	9
Total Assets	\$ 1,638,676	\$ 198,209	\$ 8,445	\$ 2,880	\$ 3,698	\$ (4,927)	\$ 1,846,981
Liabilities							
Intragovernmental:							
Accrued RRI	\$ 3,348	\$ 294	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,642
Accounts Payable	589	398	6,272	2,824	1	(1,775)	8,309
Other	0	0	0	0	108	0	108
Total Intragovernmental	3,937	692	6,272	2,824	109	(1,775)	12,059
Benefits Due and Payable	39,213	22,375	2,836	0	0	(3,152)	61,272
Accounts Payable	1	4	293	1	95	0	394
Other	2	1	13	2	876	0	894
Total	43,153	23,072	9,414	2,827	1,080	(4,927)	74,619
Net Position							
Unexpended Appropriations	0	0	1,376	53	17	0	1,446
Cumulative Results of Operations	1,595,523	175,137	(2,345)	0	2,601	0	1,770,916
Total Net Position	1,595,523	175,137	(969)	53	2,618	0	1,772,362
Total Liabilities and Net Position	\$ 1,638,676	\$ 198,209	\$ 8,445	\$ 2,880	\$ 3,698	\$ (4,927)	\$ 1,846,981

* For administrative expediency, it is often necessary for one trust fund to initially incur obligations and expenses on behalf of another trust fund. The Social Security Act provides for this administrative policy, but requires SSA to ensure that appropriate adjustments are made between the trust funds so that each has borne the proper costs.

Near the close of FY 2005, SSA determined that the DI Trust Fund had not been reimbursed for expenses initially incurred by the DI Trust Fund on behalf of the OASI Trust Fund. At this time, SSA has not been able to develop a reasonable estimate for the cumulative liability due from the OASI Trust Fund to the DI Trust Fund. When SSA is able to determine a reasonable estimate for this liability, the appropriate transfer will be made from the OASI Trust Fund to the DI Trust Fund.

Other Accompanying Information: Schedule of Net Cost for the Year Ended
September 30, 2005

	Program	LAE	Total
OASI Program			
Benefit Payments	\$ 432,438	\$ 0	\$ 432,438
Operating Expenses	568	2,402	2,970
Total Cost of OASI Program	433,006	2,402	435,408
Less: Exchange Revenues	0	22	22
Net Cost of OASI Program	433,006	2,380	435,386
DI Program			
Benefit Payments	89,731	0	89,731
Operating Expenses	147	2,272	2,419
Total Cost of DI Program	89,878	2,272	92,150
Less: Exchange Revenues	0	20	20
Net Cost of DI Program	89,878	2,252	92,130
SSI Program			
Benefit Payments	36,224	0	36,224
Operating Expenses	84	2,999	3,083
Total Cost of SSI Program	36,308	2,999	39,307
Less: Exchange Revenues	276	27	303
Net Cost of SSI Program	36,032	2,972	39,004
Other			
Benefit Payments	16	0	16
Operating Expenses	0	1,729	1,729
Total Cost of Other	16	1,729	1,745
Less: Exchange Revenues	5	12	17
Net Cost of Other	11	1,717	1,728
Total Net Cost			
Benefit Payments	558,409	0	558,409
Operating Expenses	799	9,402	10,201
Total Cost	559,208	9,402	568,610
Less: Exchange Revenues	281	81	362
Total Net Cost	\$ 558,927	\$ 9,321	\$ 568,248

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2005

(Dollars in Millions)				
	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,433,278	\$ 170,598	\$ (1,325)	\$ 1,414
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received				41,309
Other Adjustments	0	0	0	0
Appropriations Used	0	0	41,347	(41,347)
Tax Revenues	502,998	85,418	0	
Interest Revenues	82,821	10,173	0	
Transfers-In/Out				
Trust Fund Draws and Other - In	15,349	1,171	0	
Trust Fund Draws and Other - Out	(2,472)	(2,007)	(6,335)	
Railroad Retirement Interchange	(3,461)	(385)	0	
Total Transfers-In/Out	9,416	(1,221)	(6,335)	
Other Budgetary Financing Sources	16	47	0	
Other Financing Sources				
Transfers-In/Out	0	0	0	
Imputed Financing Sources	0	0	0	
Total Financing Sources	595,251	94,417	35,012	(38)
Net Cost of Operations	433,006	89,878	36,032	
Net Change	162,245	4,539	(1,020)	(38)
Ending Balances	\$ 1,595,523	\$ 175,137	\$ (2,345)	\$ 1,376

(Dollars in Millions)						
Other		LAE		Intra-Agency Eliminations	Consolidated	
Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
\$ 0	\$ 59	\$ 2,652	\$ 16	\$ 0	\$ 1,605,203	\$ 1,489
	16,539		26			57,874
0	(13)	0	0	0	0	(13)
16,532	(16,532)	25	(25)	0	57,904	(57,904)
0		0		0	588,416	
0		0		0	92,994	
2,821		8,778		(26,830)	1,289	
(16,521)		0		26,830	(505)	
0		0		0	(3,846)	
(13,700)		8,778		0	(3,062)	
0		0		0	63	
(2,821)		3		0	(2,818)	
0		464		0	464	
11	(6)	9,270	1	0	733,961	(43)
11		9,321		0	568,248	
0	(6)	(51)	1	0	165,713	(43)
\$ 0	\$ 53	\$ 2,601	\$ 17	\$ 0	\$ 1,770,916	\$ 1,446

Other Accompanying Information: Schedule of Financing for the Year Ended September 30, 2005

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	\$ 438,945	\$ 92,763	\$ 45,963	\$ 16,537	\$ 9,366	\$ 603,574
Less: Offsetting Collections	0	0	(4,621)	(5)	(9,095)	(13,721)
Obligations Net of Offsetting Collections	438,945	92,763	41,342	16,532	271	589,853
Less: Offsetting Receipts	(15,356)	(1,200)	(276)	(2,821)	0	(19,653)
Net Obligations	423,589	91,563	41,066	13,711	271	570,200
Other Resources						
Imputed Financing	0	0	0	0	464	464
Other	0	0	(276)	0	0	(276)
Net Other Resources Used to Finance Activities	0	0	(276)	0	464	188
Total Resources Used to Finance Activities	423,589	91,563	40,790	13,711	735	570,388
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	(9)	(1)	0	6	(4)
Resources That Fund Expenses Recognized In Prior Periods	(115)	(375)	(221)	0	(3)	(714)
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations	15,356	1,200	276	2,821	0	19,653
Resources That Fund Capitalized Costs	0	0	0	0	(399)	(399)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(5,824)	(2,501)	(5,831)	(16,521)	8,777	(21,900)
Total Resources Not Part of the Net Cost of Operations	9,417	(1,685)	(5,777)	(13,700)	8,381	(3,364)
Total Resources Used to Finance the Net Cost of Operations	433,006	89,878	35,013	11	9,116	567,024
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	6	6
Other	0	0	1,019	0	0	1,019
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	0	0	1,019	0	6	1,025
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	211	211
Other	0	0	0	0	(12)	(12)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	0	0	0	0	199	199
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	0	0	1,019	0	205	1,224
Net Cost of Operations	\$ 433,006	\$ 89,878	\$ 36,032	\$ 11	\$ 9,321	\$ 568,248

Required Supplementary Information: Schedule of Budgetary Resources
as of September 30, 2005

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Budget Authority						
Appropriations Received	\$ 600,082	\$ 96,776	\$ 41,301	\$ 16,539	\$ 26	\$ 754,724
Net transfers (+/-)	(109)	109	0	0	0	0
Unobligated Balances						
Beginning of Period	0	0	1,282	53	783	2,118
Net transfers (+/-)	0	0	2	0	(2)	0
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,514	5	77	4,596
Change in Receivable	0	0	4	0	5	9
Transfers from Trust Funds						
Collected	0	0	0	0	8,887	8,887
Anticipated	0	0	0	0	(108)	(108)
Subtotal	0	0	4,518	5	8,861	13,384
Recoveries of Prior Year Obligations	0	0	103	0	234	337
Temporarily Not Available Pursuant to Public Law	(161,028)	(4,122)	0	0	0	(165,150)
Permanently Not Available	0	0	0	(7)	0	(7)
Total Budgetary Resources	\$ 438,945	\$ 92,763	\$ 47,206	\$ 16,590	\$ 9,902	\$ 605,406
Status of Budgetary Resources:						
Obligations Incurred						
Direct	\$ 438,945	\$ 92,763	\$ 41,453	\$ 16,532	\$ 9,335	\$ 599,028
Reimbursable	0	0	4,510	5	31	4,546
Subtotal	438,945	92,763	45,963	16,537	9,366	603,574
Unobligated Balances						
Apportioned	0	0	1,140	22	404	1,566
Unobligated Balances - Not Available	0	0	103	31	132	266
Total Status of Budgetary Resources	\$ 438,945	\$ 92,763	\$ 47,206	\$ 16,590	\$ 9,902	\$ 605,406
Relationship of Obligations to Outlays:						
Obligated Balances - Beginning of the Period	\$ 41,038	\$ 16,789	\$ 1,117	\$ 1	\$ (681)	\$ 58,264
Obligated Balance - End of the Period						
Accounts Receivable	0	0	(12)	0	(2,079)	(2,091)
Undelivered Orders	0	13	60	0	1,279	1,352
Accounts Payable	43,153	23,071	1,340	3	296	67,863
Outlays:						
Disbursements	436,830	86,468	45,585	16,535	9,059	594,477
Collections	0	0	(4,514)	(6)	(8,964)	(13,484)
Subtotal	436,830	86,468	41,071	16,529	95	580,993
Less: Offsetting Receipts	15,356	1,200	276	2,821	0	19,653
Net Outlays	\$ 421,474	\$ 85,268	\$ 40,795	\$ 13,708	\$ 95	\$ 561,340

Required Supplementary Information: Intragovernmental Amounts
as of September 30, 2005

(Dollars in Millions)				
	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Intragovernmental Assets				
Department of Health and Human Services				\$ 298
Department of the Treasury	\$ 5,370	\$ 1,809,422	\$ 23,472	
Other				9
Total Intragovernmental Assets	\$ 5,370	\$ 1,809,422	\$ 23,472	\$ 307
Intragovernmental Liabilities				
	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities	
Department of Labor			\$ 56	
Department of the Treasury, General Fund		\$ 8,308		
Office of Personnel Management			26	
Railroad Retirement Board	\$ 3,642			
Other		1	26	
Total Intragovernmental Liabilities	\$ 3,642	\$ 8,309	\$ 108	
Intragovernmental Revenues:				
	Non-Exchange Revenue			
	Transfers-In	Transfers-Out		
Department of the Treasury, General Fund	\$ 50	\$ 502		
Railroad Retirement Board		3,846		
Department of Health and Human Services	1,239	3		
Total Intragovernmental Revenues:	\$ 1,289	\$ 4,351		

Required Supplementary Stewardship Information: Social Insurance

Statement of Social Insurance					
Old-Age, Survivors and Disability Insurance					
75-Year Projection as of January 1, 2005					
(In billions)					
	Estimates from Prior Years				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</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)	\$15,290	\$14,388	\$13,576	\$13,048	\$12,349
Have attained retirement eligibility age (Age 62 and over)	464	411	359	348	309
Those expected to become participants (Under age 15) ⁴	13,696	12,900	12,213	11,893	11,035
All current and future participants	29,450	27,699	26,147	25,289	23,693
<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)	23,942	22,418	21,015	20,210	18,944
Have attained retirement eligibility age (Age 62 and over)	5,395	4,933	4,662	4,402	4,255
Those expected to become participants (Under age 15) ⁴	5,816	5,578	5,398	5,240	4,700
All current and future participants	35,154	32,928	31,075	29,851	27,899
<i>Actuarial present value¹ for the 75-year projection period of estimated future excess of income (excluding interest) over cost</i>	-\$5,704	-\$5,229	-\$4,927	-\$4,562	-\$4,207
<i>Trust fund assets⁶ at start of period</i>	1,687	1,531	1,378	1,213	1,049
<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>	-\$4,017	-\$3,699	-\$3,550	-\$3,350	-\$3,157

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 scheduled 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 (2005) 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	
2005	2.02	854.2	74.8	79.6	1,075,000	2.1	4.2	2.2	1.7	3.6	4.2%
2010	2.01	828.2	75.4	80.0	1,000,000	1.3	4.1	2.8	0.7	2.5	5.7%
2020	1.98	764.7	76.5	80.8	950,000	1.0	3.8	2.8	0.3	1.9	5.8%
2030	1.95	705.0	77.5	81.7	900,000	1.0	3.8	2.8	0.2	1.8	5.8%
2040	1.95	652.1	78.5	82.5	900,000	1.1	3.9	2.8	0.3	1.9	5.8%
2050	1.95	605.7	79.4	83.2	900,000	1.1	3.9	2.8	0.2	1.8	5.8%
2060	1.95	564.6	80.2	83.9	900,000	1.1	3.9	2.8	0.2	1.8	5.8%
2070	1.95	528.1	81.0	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 2029.
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 (CPI).
6. The CPI is the annual average value for the calendar year of the CPI 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 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
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 2005 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 2004, OASDI benefits were paid to approximately 48 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 \$61 billion as of September 30, 2005 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 (\$52 billion as of September 30, 2004). Virtually all of this amount was paid in October 2005. Also, an asset of \$1,809 billion is recognized for the “investments in Treasury securities” as of September 30, 2005 (\$1,635 billion as of September 30, 2004). These investments are referred to as “trust fund assets” or “balance” throughout the remainder of this Required Supplementary Stewardship Information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government.

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, 2005. 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 scheduled 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.

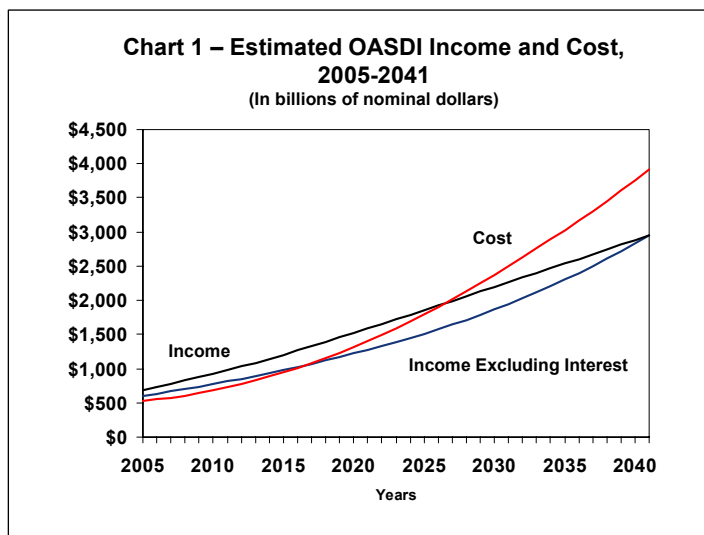
All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2005 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2005 Trustees Report) (see Table 1). The statement presented on page 143 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.

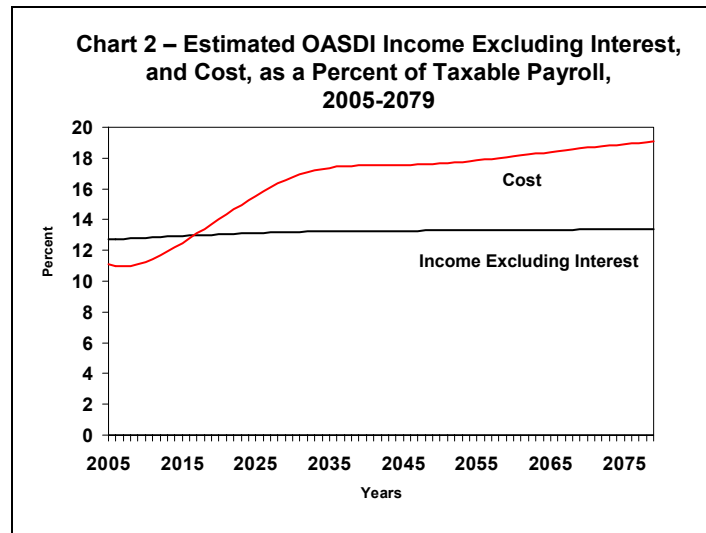
Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2005-2041 in nominal dollars. These estimates are only displayed through 2041, the year that the OASDI trust funds are projected to become exhausted. At the point of trust fund exhaustion, 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 2027. This occurs because of a variety of factors including the retirement of the “baby boom” generation, the relatively small number of people born during the subsequent period of 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 2017. 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.



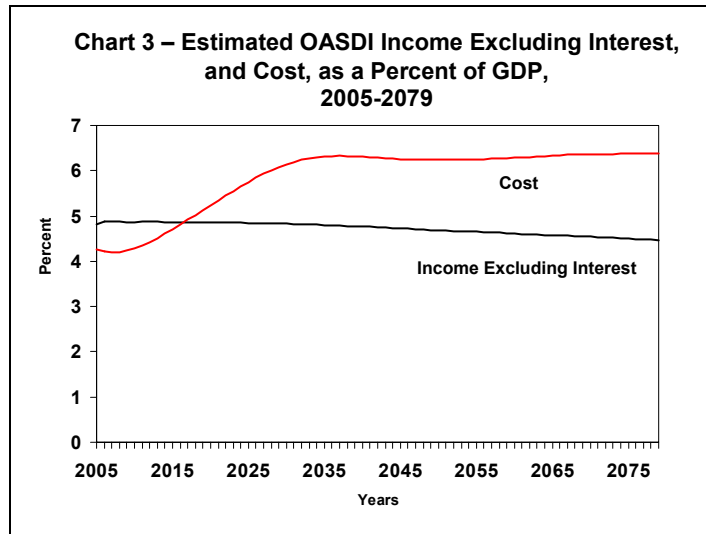
Percentage of Taxable Payroll - Chart 2 shows estimated annual income excluding interest and cost expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and 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 2017, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2017, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2030 and is rising steadily at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover only 68 percent of the estimated cost.



Actuarial Balance - The statement of social insurance on page 143 shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$5,704 billion. If augmented by the trust fund assets at the start of the period (January 1, 2005), it is -\$4,017 billion. This excess does not equate to the actuarial balance in the Trustees Report of -1.92 percent of taxable payroll because the actuarial balance includes the cost of attaining a target trust fund balance by the end of the period.

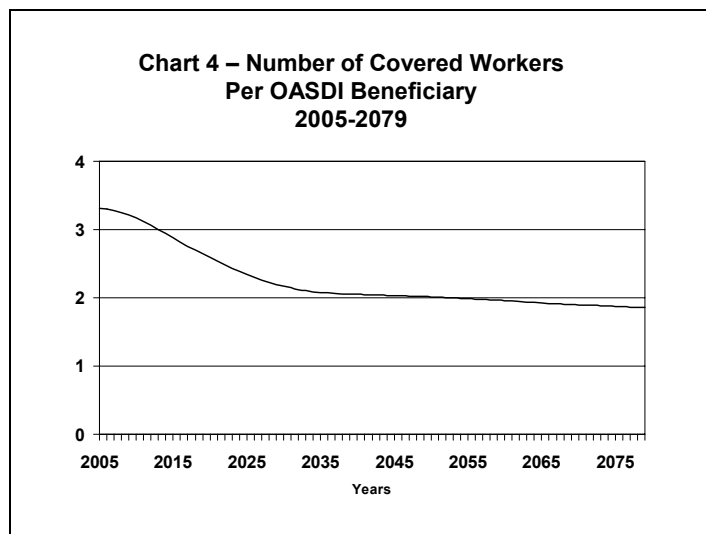
One interpretation of this negative actuarial balance (-1.92 percent of taxable payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.92 percentage points in this rate in each year of the 75-year projection period (0.96 percentage points for employees and employers each, resulting in a total rate of 14.32 percent or a rate of 7.16 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 12.8 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 estimated 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 2004, OASDI cost was about \$502 billion, which was about 4.3 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.1 percent of GDP in 2030 and then gradually increases to 6.4 percent of GDP in 2079. 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 2004 to 1.9 in 2079.



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 2005 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2005 and are based on estimates of income and cost during the 75-year projection period 2005-2079. 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.

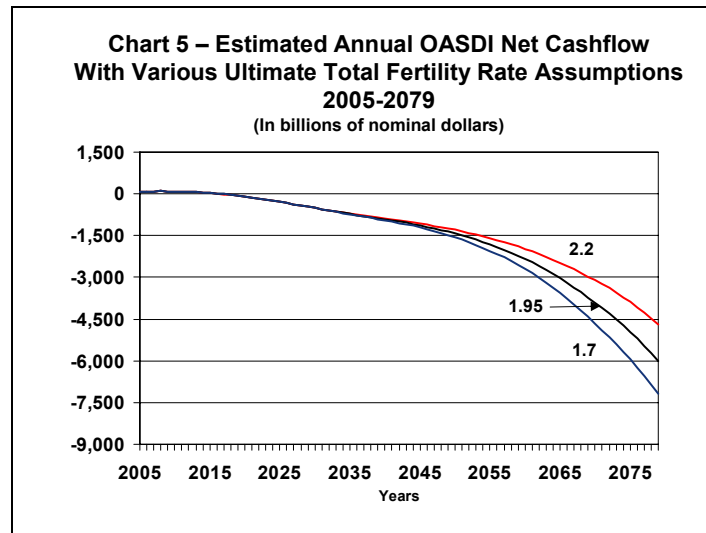
Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Reports present high-cost and low-cost alternative assumption sets which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more 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 2005 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2029.

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 \$6,260 billion, from \$5,704 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to \$5,144 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2005-2079			
Ultimate Total Fertility Rate	1.7	1.95	2.2
Present Value of Estimated Excess (In billions)	-\$6,260	-\$5,704	-\$5,144

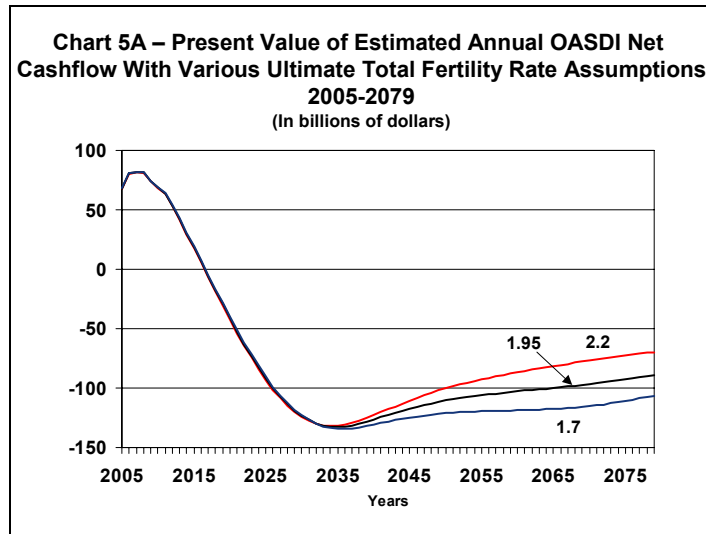
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 2. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first three years, the net cashflow estimates decrease steadily through 2079. They remain positive through 2016 and are increasingly negative thereafter. While the fertility rate would have a substantial effect for the next 75-year period as a whole, it would have only a minor effect for the first 36 years before the OASDI trust funds are projected to become depleted under each of these fertility assumptions.

In the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2033 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from 2033 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.



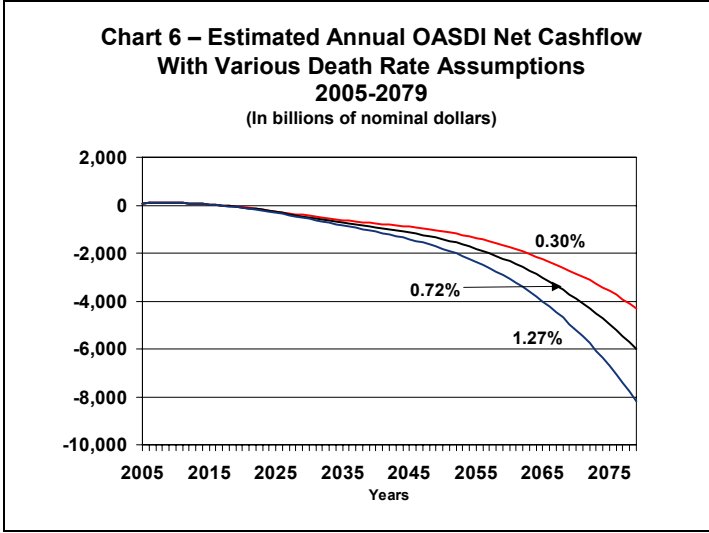
The three patterns of the present values shown in Chart 5A are similar. After increasing for 2 years, the present values decrease rapidly through the mid 2030's. They remain positive through 2016 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2035 for a total fertility rate of 2.2, 2036 for a total fertility rate of 1.95, and 2037 for a total fertility rate of 1.7). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2037 than it would to cover the annual deficit in 2036.

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 2004-2079 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 1.27 percent per year, where 0.72 percent is the intermediate assumption in the 2005 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 20, 42 and 62 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.0 in 2004 to 80.1, 83.4, and 87.6 in 2079 for average annual reductions in the age-sex-adjusted death rate of 0.30, 0.72 and 1.27 percent, respectively.

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 \$4,376 billion, from \$5,704 billion; if the annual reduction were changed to 1.27 percent, meaning that people live longer, the shortfall would increase to \$7,303 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions			
Valuation Period: 2005-2079			
Average Annual Reduction in Death Rates (from 2004 to 2079)	0.30 Percent	0.72 Percent	1.27 Percent
Present Value of Estimated Excess (In billions)	-\$4,376	-\$5,704	-\$7,303

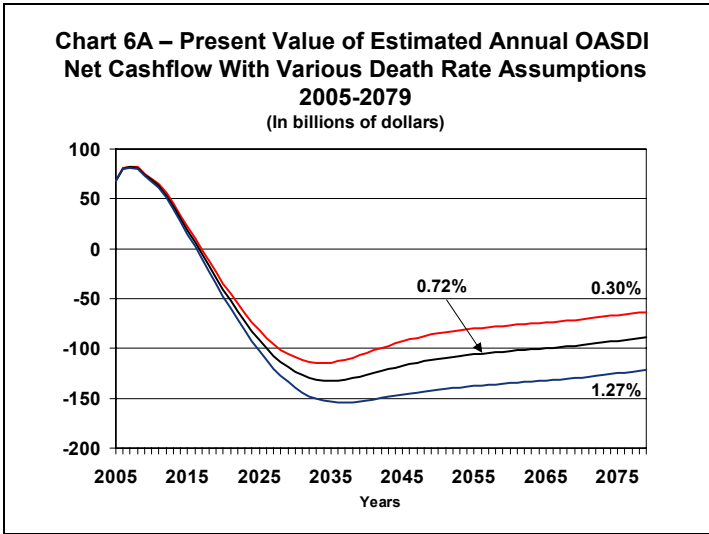
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 3. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After increasing slightly in the first 3 years, the net cashflow estimates decrease steadily through 2079. They remain positive through 2016 for all three assumptions, after which the annual net cashflow estimates are negative. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher cost, cost increases more than income. For any given year, reductions in death rates at the earliest retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). 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.



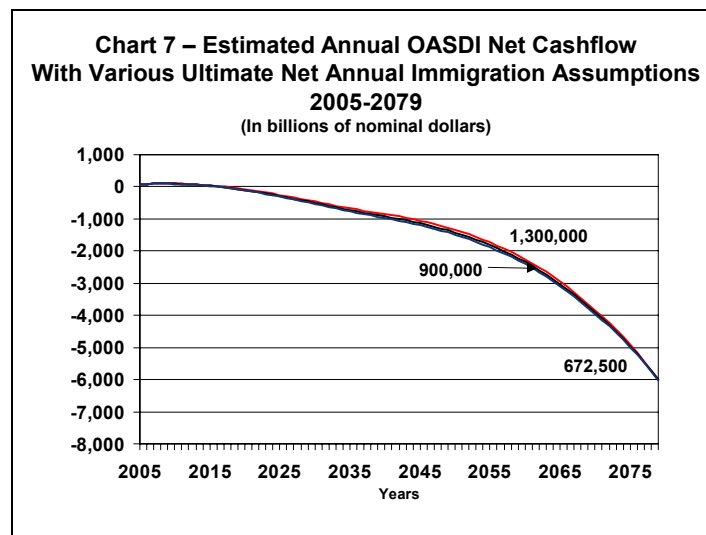
The three patterns of the present values shown in Chart 6A are similar. After increasing for 2 years, the present values decrease rapidly through the mid 2030's. They remain positive through 2016 under all three assumptions, after which the present values are negative. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2034, 2036 and 2038 for assumptions of reductions of 0.30, 0.72 and 1.27 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 2005 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 \$6,010 billion, from \$5,704 billion. If the ultimate net annual immigration assumption were changed to 1,300,000 persons, the present value of the shortfall would decrease to \$5,270 billion.

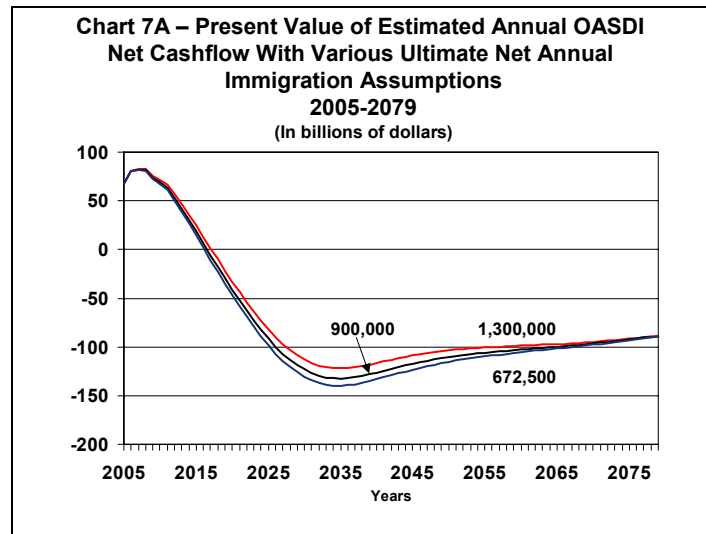
Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2005-2079			
Ultimate Net Annual Immigration	672,500 Persons	900,000 Persons	1,300,000 Persons
Present Value of Estimated Excess (In billions)	-\$6,010	-\$5,704	-\$5,270

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 3 years, the net cashflow estimates decrease steadily through 2079. They remain positive through 2016 for the annual ultimate net immigration of 672,500 and 900,000 persons and through 2017 for an ultimate net annual immigration assumption of 1,300,000 persons. Very little difference is discernible among the estimates of net cashflow based on the three assumptions about net annual immigration.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7A are similar. After increasing for a few years, the present values decrease rapidly through the mid 2030's. They remain positive through 2016 for the assumed ultimate net annual immigration of 672,500 and 900,000 persons and through 2017 for an ultimate net annual immigration assumption of 1,300,000 persons, after which the present values are negative. Present values based on all three assumptions about net annual immigration begin to increase (become less negative) in 2036 for all three assumptions.

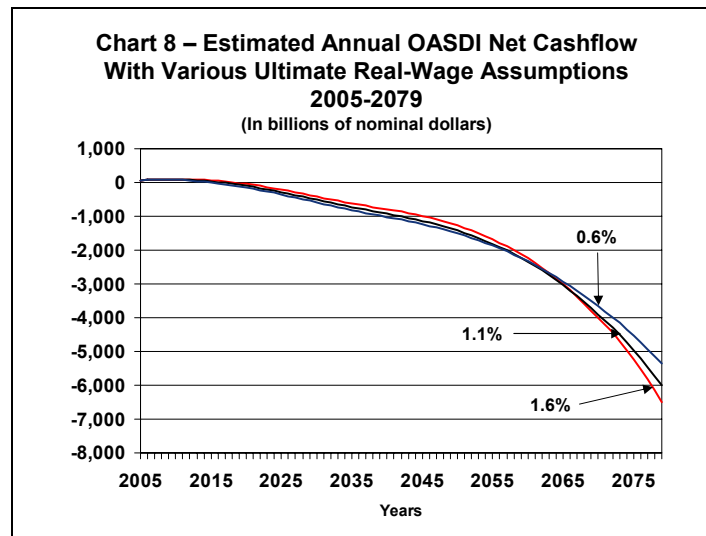
Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three assumptions about net annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are higher (less negative in later years) for higher net annual immigration. Because a constant number of net immigrants is assumed each year, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Thus, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

Real-Wage Differential - The real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). Table 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 2005 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 \$6,287 billion from \$5,704 billion; if the ultimate real-wage differential were changed from 1.1 to 1.6 percentage points, the shortfall would decrease to \$4,887 billion.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2005-2079			
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)	-\$6,287	-\$5,704	-\$4,887

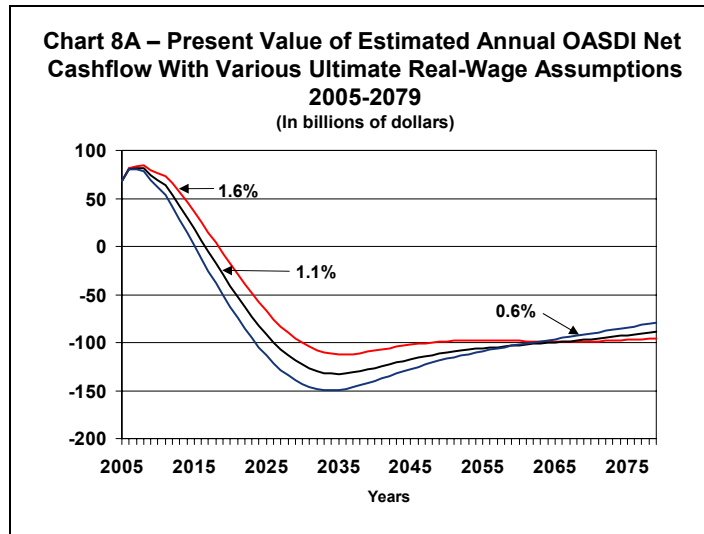
Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 5. Chart 8 shows the estimated annual OASDI net cashflow.



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, 2016 and 2018 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and is negative thereafter.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, around 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.



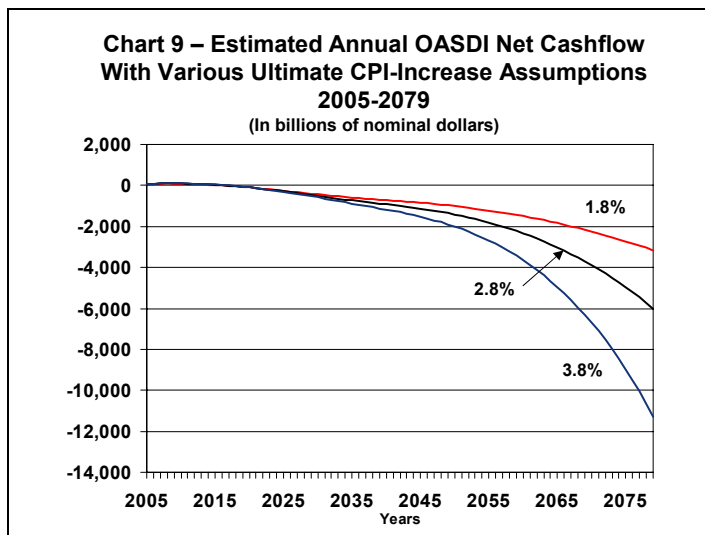
The three patterns of the present values shown in Chart 8A increase the first few years, and then, decrease rapidly through the mid 2030's. They remain positive through 2015, 2016 and 2018 for assumed ultimate real-wage differentials of 0.6, 1.1 and 1.6 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2036 and 2037 for an assumed ultimate real-wage differential of 0.6, 1.1 and 1.6 percentage points, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.6 percentage points, the present values continue increasing temporarily until 2055 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 2005 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 \$6,094 billion, from \$5,704 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to \$5,308 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: 2005-2079			
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)	-\$6,094	-\$5,704	-\$5,308

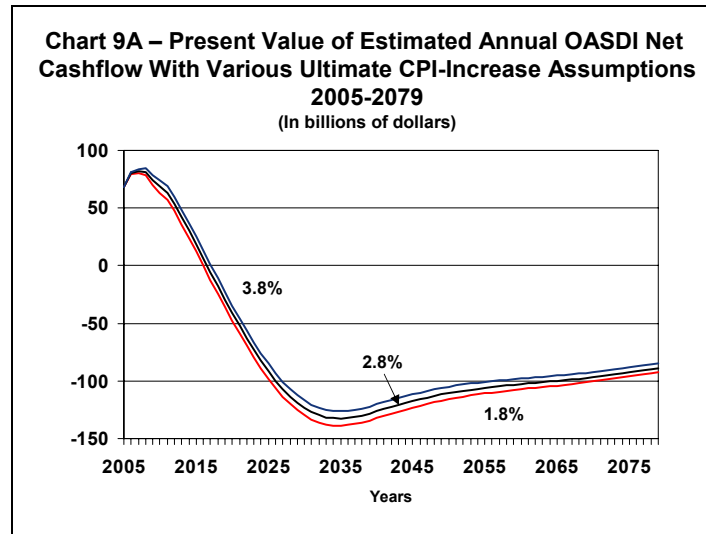
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 6. Chart 9 shows the estimated annual OASDI net cashflow.



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 2079. Annual net cashflow remains positive through 2015 for an assumed ultimate annual increase in the CPI of 1.8 percent; through 2016 for an assumed ultimate annual increase in the CPI of 2.8 percent; and through 2017 for an assumed ultimate annual increase in the CPI of 3.8 percent. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher 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 in nominal dollars.

Larger increases in the CPI cause earnings and income to increase sooner, and thus by more in each year, than benefits and cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Initially (through 2020) the larger percentage increase in income also results in a larger nominal-dollar increase in income, so net cashflow is increased for higher inflation in Chart 9. 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 program income begins to fall well below program cost, and thus the larger percentage increases in income eventually produce smaller nominal-dollar increases than for program cost.

Chart 9A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 9A are similar. After increasing for a few years, present values decrease rapidly through the mid 2030's before beginning to increase once again. They remain positive through 2016 (2017 for an assumed ultimate annual increase in the CPI of 3.8 percent) and are negative thereafter. Present values begin to increase (become less negative) after 2035 for all three assumptions. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

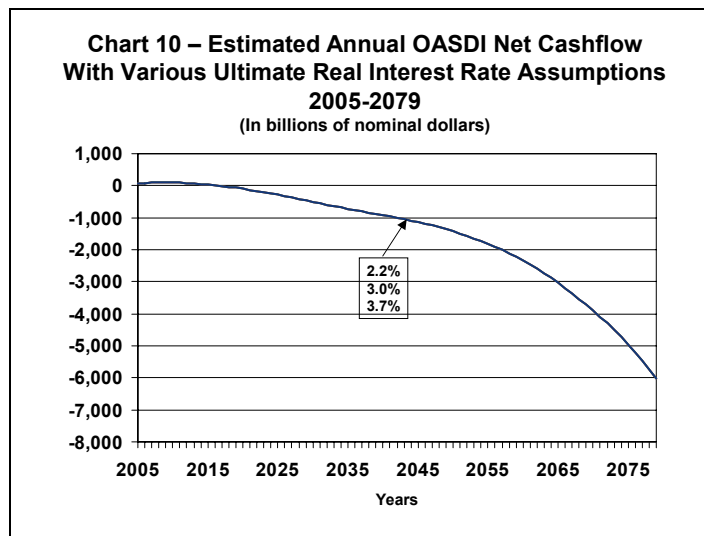
The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 9.

Real Interest Rate - Table 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 2005 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 \$8,063 billion, from \$5,704 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to \$4,246 billion.

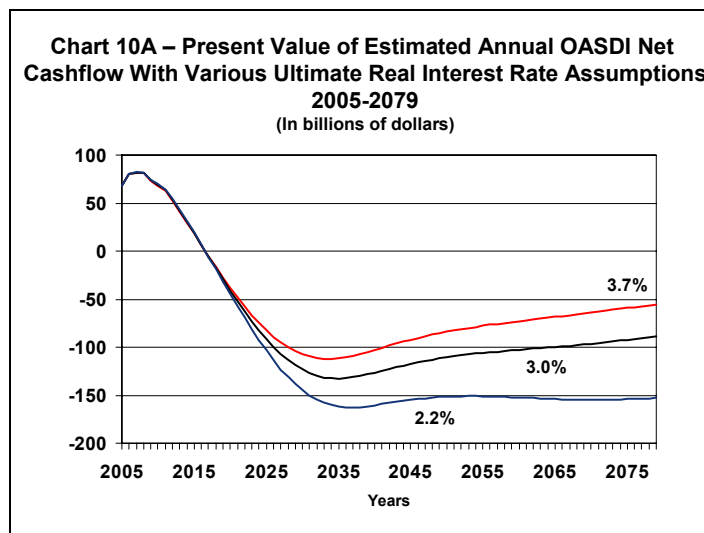
Table 7: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Interest Assumptions Valuation Period: 2005-2079			
Ultimate Annual Real Interest Rate	2.2 Percent	3.0 Percent	3.7 Percent
Present Value of Estimated Excess (In billions)	-\$8,063	-\$5,704	-\$4,246

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 2079. They remain positive through 2016 and are negative thereafter.

Chart 10A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 10A are similar. After increasing for 2 years, the present values decrease rapidly through the mid 2030's. They remain positive through 2016 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2038, 2036 and 2034 for assumed ultimate real interest rates of 2.2, 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 2053, then decrease through 2069, 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 2017. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

Auditor's Reports



SOCIAL SECURITY

November 9, 2005

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) 2005 and 2004 financial statements. PwC's Report includes the firm's *Opinion on the Financial Statements, Report on Management's Assertion About the Effectiveness of Internal Control*, and *Report on Compliance and Other Matters*.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

PwC's 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 2005 financial statements. PwC also audited the FY 2004 financial statements, presented in SSA's Performance and Accountability Report for FY 2005 for comparative purposes. PwC issued an unqualified opinion on SSA's FY 2005 and 2004 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.

Since 1997, SSA has had a reportable condition in its internal control concerning protection of information. Specifically, PwC found weaknesses in controls over access to SSA's 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. For the FY 2005 financial statement audit, PwC views the prior reportable condition in SSA's internal control, "SSA Needs to Further Strengthen Controls to Protect Its Information," as resolved. We applaud the extraordinary efforts SSA has taken to successfully address the key issues surrounding the reportable condition.

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 2005 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 7, 2005, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding PwC's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting, or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where PwC did not comply with applicable auditing standards.



Patrick P. O'Carroll, Jr.
Inspector General

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, 2005 and 2004, 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, 2005, 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, 2005 and 2004, 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 116 through 135 of this performance and accountability report, present fairly, in all material respects, the financial position of SSA at September 30, 2005 and 2004, 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, 2005. 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, 2005.

We did note 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 16, 17 and 18 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 placed 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 as of September 30, 2005.

Under FFMIA, we are required to report whether SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which SSA's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph as of September 30, 2005.

OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 6 and 58 Required Supplementary Information (RSI) included on pages 1 and 2, and 141 and 142, and Required Supplementary Stewardship Information (RSSI) included on pages 143 to 161 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 Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A, 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 141 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 Circular A-136, *Financial Reporting Requirements*. This information and the consolidating and combining information included on pages 136 to 140 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 5, 59 to 115, 162 to 164, and 169 to the end of this performance and accountability report, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the 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 7, 2005



SOCIAL SECURITY

The Commissioner

October 27, 2005

PricewaterhouseCoopers LLP
1301 K Street, NW
Washington, D.C. 20005

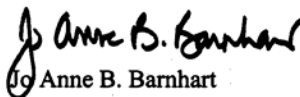
Ladies and Gentlemen:

We reviewed the draft Report of the Independent Auditors for the fiscal year 2005 financial statement audit of the Social Security Administration (SSA). This report contains PricewaterhouseCoopers' opinion on SSA's Financial Statements and on SSA management's assertion about the effectiveness of its internal control, and a report about SSA's compliance with laws and regulations. No findings or recommendations were contained in the report.

We are extremely pleased that, based on progress made since your last report, the reportable condition, "SSA Needs to Further Strengthen Controls to Protect Its Information," was eliminated from this year's report.

If your staff have any questions, they may contact Jeffrey C. Hild at (410) 965-0613.

Sincerely,


Jo Anne B. Barnhart

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Inspector General Statement on SSA's Major Management Challenges



SOCIAL SECURITY

November 9, 2005

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 Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This document responds to the requirement to include this Statement in the *Social Security Administration's Fiscal Year 2005 Performance and Accountability Report*.

In September 2004, we identified six significant management issues facing the Social Security Administration for Fiscal Year (FY) 2005.

- **Social Security Number Integrity and Protection**
- **Management of the Disability Process**
- **Improper Payments**
- **Internal Control Environment and Performance Measures**
- **Critical Infrastructure Protection/Systems Security**
- **Service Delivery**

I congratulate you on the progress you have made during FY 2005 in addressing these challenges. My office will continue to focus on these issues in the current FY. I look forward to working with you in continuing to improve the Agency's ability to address these challenges and meet its mission efficiently and effectively. I am providing you with the OIG assessment of these six management challenges.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick P. O'Carroll, Jr.'.

Patrick P. O'Carroll, Jr.
Inspector General

*Inspector General Statement
on the
Social Security Administration's
Major Management Challenges*



Social Security Number Integrity and Protection

In Fiscal Year (FY) 2005, the Social Security Administration (SSA) issued over 17 million original and replacement Social Security number (SSN) cards and received approximately \$588 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

To do so, SSA must employ effective front-end controls in its enumeration process. We applaud the significant strides the Agency has made over the past several years to ensure SSN integrity. Nevertheless, throughout society, incidences of SSN misuse continue to rise. Accordingly, to further protect SSN integrity, we believe SSA should (1) encourage public and private entities to limit collection and use of the SSN as a personal identifier, (2) continue to address identified weaknesses in its information security environment to better safeguard SSNs, and (3) continue to coordinate with partner agencies to pursue any data sharing agreements that would increase data integrity.

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. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2004, SSA had posted approximately 9 million wage items to its ESF for Tax Year 2002, which is the latest available data, representing about \$56 billion in wages. This was before some planned edits, which may have further reduced this number.

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. For example, SSA can improve wage reporting by encouraging greater use of the Agency's SSN verification programs. SSA also needs to coordinate with other Federal agencies with separate, yet related, mandates.

Another area of concern related to SSN integrity is the use of nonwork SSNs by noncitizens for unauthorized employment in the United States. SSA assigns nonwork SSNs to noncitizens lacking appropriate work authorization only if they can provide evidence of a valid nonwork reason. In recent years, SSA has strictly limited the assignment of such numbers. Furthermore, SSA monitors noncitizens who show earnings under a nonwork SSN and reports this information to the Department of Homeland Security (DHS). Nonetheless, our audits have noted a number of issues related to nonwork SSNs, including (1) evidence provided to obtain a nonwork SSN, (2) 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.

In March 2004, Congress placed new restrictions on receipt of SSA benefits by noncitizens who are not authorized to work in the United States. Under the *Social Security Protection Act (SSPA) of 2004* (Pub. L. No. 108-203), a noncitizen whose SSN was assigned on or after January 1, 2004, must have been issued a SSN for work purposes on or after this date or been admitted to the United States at any time as a nonimmigrant visitor for business or as an alien crewman to be entitled to Title II or End-Stage Renal Disease Medicare benefits based on the noncitizen's earnings.

SSA Has Taken Steps to Address this Challenge

SSA has taken steps to improve controls within its enumeration process. SSA verifies all immigration documents before assigning SSNs to noncitizens. Additionally, SSA requires (1) mandatory interviews for all original SSN applicants age 12 and over (lowered from age 18) and (2) evidence of identity for all children, regardless of age. In addition, SSA established Enumeration Centers in Brooklyn, New York and Las Vegas, Nevada that focus exclusively on assigning SSNs and issuing SSN cards. Also, in FY 2005, SSA implemented new systems enhancements that simplified the interpretation of, and compliance with, SSA's complex enumeration policies.

In addition to these improvements, SSA is planning to implement several other enhancements that will better ensure SSN protection. These endeavors were required by the *Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004* (Pub. L. No. 108-458). SSA's plans include (1) restricting the issuance of multiple replacement Social

Security cards to 3 per year and 10 in a lifetime; (2) requiring independent verification of any birth record submitted by an original SSN applicant, other than for purposes of enumeration at birth; and (3) coordinating with DHS to further improve the security of Social Security cards and numbers.

SSA has also taken steps to reduce the size and growth of the ESF. In June 2005, the Agency expanded its voluntary *Social Security Number Verification Service* (SSNVS) to all interested employers nationwide. SSNVS allows employers to verify the names and SSNs of employees before reporting their wages to SSA.

SSA coordinates with other agencies to encourage improved wage reporting. For example, SSA participates in a joint program with DHS, called the Basic Pilot, which verifies the names and SSNs of employees as well as their citizenship and authorization to work in the economy. In December 2004, the Basic Pilot program was made available to employers nationwide. Furthermore, the Agency is also collaborating with the Internal Revenue Service to achieve more accurate wage reporting by employers with a high volume of wage items in the ESF.

SSA is also in the process of modifying the information it shares with employers. Under IRTPA, the Agency is required to add both death and fraud indicators to SSNVS for employers, State agencies issuing driver's licenses and identity cards, and to other verification routines as determined appropriate by the Commissioner of Social Security.

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 high-risk list. GAO did this, in part, because of outmoded concepts of disability, lengthy processing times, and decisional inconsistencies.

SSA needs to continue 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 308 days in FY 2001 to 415 days in FY 2005. Further, the hearings pending workload for FY 2005 was 708,164 cases, whereas it was 392,387 cases in FY 2001. This represents an 80 percent increase from FY 2001. SSA’s efforts to address its pending workload did not meet the goals established for FY 2005. In FY 2005, SSA processed 519,359 hearings, approximately 99 percent of its goal of 525,000. Lastly, SSA’s productivity goal in this area for FY 2005 was to process 103 hearings per work year. In FY 2005, it processed 101.7 hearings per work year, under its goal but over the 100.2 hearings processed per work year reached in FY 2004.

Another area SSA needs to improve is ensuring the correct benefits are paid to the correct individuals. Continuing disability reviews (CDR) are critical to determining whether a disabled beneficiary continues to be eligible for benefits. In an April 2005 report, we estimated that approximately \$12.4 million was overpaid to about 11,880 recipients because SSA did not previously consider all of their earnings when calculating Supplemental Security Income (SSI) payment amounts. We also estimated that, if the Agency resolved the earnings discrepancies, approximately an additional \$74.7 million in overpayments to about 61,380 recipients would have been recognized.

Fraud is an inherent risk in SSA’s disability programs. 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 or work activity. For example, one beneficiary with a diagnosis of affective disorders (a psychiatric impairment) started receiving disability benefits in 1997. Office of the Inspector General (OIG) investigators observed activities that seemed inconsistent with the beneficiary’s statements regarding limitations due to the beneficiary’s impairment; and therefore, we requested SSA conduct a CDR. As a result of this CDR, SSA found that medical improvement had occurred and stopped the benefits—resulting in 12 months of savings of \$6,948. If SSA had not conducted the CDR at the time of our request, benefits would have continued to be paid to this individual.

SSA Has Taken Steps to Address this Challenge

On July 27, 2005, the Commissioner announced proposed regulations in the Federal Register which outlined her plan to improve the disability process. The proposed regulations would:

- Establish a Quick Disability Determination process through which State agencies will expedite initial determinations for claimants who are clearly disabled;
- Create a Federal Expert Unit to augment and strengthen medical and vocational expertise for disability adjudicators at all levels of the disability determination process;
- Eliminate the State agency reconsideration step and terminate the disability prototype that SSA is currently conducting in 10 States;
- Establish Federal reviewing officials to review State agency initial determinations upon the request of claimants;
- Preserve the right of claimants to request and be provided a “de novo” hearing, which will be conducted by an Administrative Law Judge (ALJ);
- Close the record after the ALJ issues a decision, but allow for the consideration of new and material evidence under certain circumstances;
- Gradually shift certain Appeals Council functions to a newly established Decision Review Board; and
- Strengthen in-line and end-of-line quality review mechanisms at the State agency, reviewing official, hearing, and Decision Review Board levels of the disability determination process.

In addition to the Commissioner's proposed improvements to the disability process, the Agency is in the process of transitioning to the electronic disability folder. The electronic disability folder allows disability claims information to be stored electronically and transmitted between field offices, hearing offices, and Disability Determination Services (DDS). As of August 2005, four State DDSs - Mississippi, Illinois, Hawaii, and Nevada - have been certified to operate fully in the electronic folder. By January 2007, SSA expects all DDSs and disability quality branches to be operating in the electronic disability folder.

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 19 CDI units operating in 17 States. Since the program's inception in FY 1998, CDI efforts have resulted in over \$533 million in projected savings to SSA's disability programs and over \$311 million in projected savings to non-SSA programs. During FY 2005, CDI units saved SSA over \$123 million by identifying fraud and abuse related to initial and continuing claims within the disability program.

Improper Payments

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 emphasis 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. As of the first quarter in FY 2005, OMB implemented a PMA program initiative (Eliminating Improper Payments) specifically targeting Agency action to reduce improper payments—and SSA was rated as making progress in this area as of June 2005. 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 (PAR). OMB will then work with SSA to establish goals for reducing improper payments in its programs.

SSA issues billions of dollars in benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs; and some improper payments are unavoidable. In FY 2004, SSA issued about \$522 billion in benefit payments to about 52 million people. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to millions of people, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. In FY 2005, SSA reported that it detected over \$4 billion in overpayments.

In January 2005, OMB issued a report on *Improving the Accuracy and Integrity of Federal Payments* which noted that seven Federal programs—including SSA's OASDI and SSI programs—accounted for approximately 95 percent of the improper payments in FY 2004. SSA's OASDI and SSI programs represented 10 percent of this amount. However, this report also noted that SSA had reduced the amount of SSI improper payments by more than \$100 million since levels reported in FY 2003.

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. Additionally, in FY 2005, SSA implemented 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 who are working.

SSA has worked with the OIG to prevent and recover improper payments.

- For the FY 2005 OIG report, *Individuals Receiving Benefits Under Multiple Social Security Numbers at the Same Address*, SSA worked with the OIG to identify and assess about \$9.2 million in overpayments—and 6 percent of these funds were recovered during the audit (as of April 2005), with SSA continuing to take action to recover the remaining funds.
- In another FY 2005 OIG report, *School Attendance by Student Beneficiaries over Age 18*, we estimated SSA disbursed about \$70 million in incorrect payments to 32,839 students. SSA agreed with our recommendation to ensure that the overpayments are established and that subsequent collection activities are initiated for those payments.

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. For example, in the FY 2005 OIG report, *The Social Security Administration's Clean-up of Title II Disability Insurance Cases with a Workers' Compensation Offset*, we found under- and overpayment errors totaling over \$500 million continued to exist in 110,000 workers' compensation cases even after they were reviewed by SSA in an effort to determine the correct payment amount. Additionally, with the passage of SSPA, SSA has new opportunities to prevent improper payments and new challenges in implementing provisions of the law—such as OASDI benefits to fugitives.

Internal Control Environment and Performance Measures

Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal controls help safeguard assets and prevent and detect errors and fraud. Assessing the internal control environment is important since internal control is a critical part of performance-based management. SSA's internal control environment helps its managers achieve desired results through effective stewardship of public resources.

Another important part of performance-based management is performance measurement. Congress, external interested parties, and the general public need sound data to monitor and evaluate SSA's performance. The necessity for good internal data Government wide has resulted in the passage of several laws, including the *Government Performance and Results Act of 1993* (Pub. L. No. 103-62). The Act, in part, requires the development of annual performance measures and goals. In addition to the legislation calling for greater accountability within the Government, the PMA has focused on the integration of the budget and performance measurement processes.

One of SSA's primary functions is the processing of disability claims. SSA is responsible for implementing policies for the development of disability claims under the Disability Insurance (DI) and SSI programs. Initial disability determinations under both DI and SSI are performed by DDSs in each State in accordance with Federal regulations. Each DDS is responsible for determining whether or not claimants are disabled and ensuring adequate evidence is available to support its determinations. To make proper disability determinations, each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from the claimants' physicians or other treating sources.

There are 52 DDSs located in each of the 50 States, the District of Columbia, and Puerto Rico. SSA reimburses the DDS for 100 percent of allowable expenditures up to its approved funding authorization. In FY 2005, SSA allocated over \$1.7 billion to fund DDS operations. Given the amount of funds allocated, adequate controls are needed to ensure the funds are used in accordance with the applicable laws and policies, and to meet the programs' intended purposes.

During FY 2005, we conducted 10 DDS administrative cost audits. In 5 of the 10 audits, internal control weaknesses were identified. The control weaknesses identified addressed areas such as fund transfers between accounts, cash activities and physical security. The lack of effective internal controls and proper oversight of DDS cash management activities can result in the mismanagement of Federal resources and increase the risk of fraud.

In the 10 DDS administrative cost audits, we reported unallowable indirect costs of over \$3,989,000, as well as \$39,600 in unallowable direct costs. As a result, we concluded that SSA's Regional Offices needed to improve their oversight of the costs DDSs claimed.

We audited the performance data used to measure seven of SSA's annual performance measures.

- Number of Job Enrichment Opportunities
- Average Processing Times for Initial Disability Claims
- Average Processing Times for Hearings
- DDS Net Accuracy Rate
- Percent Improvement in Agency Productivity
- Supplemental Security Income Aged Claims Processed Per Work Year
- DDS Cases Processed Per Work Year

We concluded that the data used to measure one of the seven measures was reliable. We found the data used for another of the seven measures to be unreliable. We concluded that the data was unreliable since the controls in place to ensure the accuracy of the measure were not working as intended. We could not determine the reliability of the data used for the remaining five performance measures since there were data retention limitations for the detailed data used to calculate the performance measure results.

SSA Has Taken Steps to Address this Challenge

The Agency has taken steps to address the internal control weaknesses, such as cash management and physical security, identified at the DDSs we reviewed. The DDS offices have consulted with regional SSA offices to address the issue of the transfer of funds. SSA has instituted a process to correct any future improprieties of this kind in a manner that will match cash draws to SSA disbursement records.

SSA has demonstrated a commitment to the production of comprehensive and accurate data on its financial statements, annual performance plans and reports, and individual performance measures. SSA is the only Federal agency that has received the Association of Government Accountant's Certificate of Excellence in Accountability Reporting for its Performance and Accountability Report every year since the award program began in FY 1998. Also, SSA obtained a "green" rating on the PMA Scorecard in the areas of financial management and budget and performance integration.

Critical Infrastructure Protection and Systems Security

The information technology revolution has changed the way Governments and businesses operate, creating a greater reliance on computer systems. Unfortunately, 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 service 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. Reportable conditions are matters that represent significant deficiencies in the design or operation of an internal control that could adversely affect SSA's ability to meet the internal control objectives. Access to the information, or access control, is the most important of these factors. This reportable condition was resolved on September 30, 2005.

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.

Additionally, SSA must address new Homeland Security Presidential Directives (HSPD). HSPD 7 requires all Federal departments and agency heads to identify, prioritize, assess, remediate, and protect their respective critical infrastructure and key resources. HSPD 12 mandates the development of a common identification 'Standard' for all Federal employees and contractors.

SSA Has Taken Steps to Address this Challenge

SSA successfully addressed the key issues surrounding the reportable condition. For example, the Agency developed and implemented configuration standards for its major operating system platforms and software components. Further, SSA began an extensive monitoring process to ensure that the Agency's over 100,000 servers and workstations were in compliance with the appropriate configuration standards. In addition, SSA established and implemented access controls to ensure appropriate segregation of duties and limited access to critical information on a need only basis.

This task was completed largely through its Standardized Security Profile Project (SSPP). An employee's profile is the tool used to control access to SSA's databases. SSPP is a full scale project begun several years ago to compare system user access assignments to job responsibilities. SSPP involved components throughout the Agency and the review of access to millions of sensitive records.

To prevent the reoccurrence of these issues, SSA needs to continue the procedures that resolved the reportable condition, such as:

- SSA needs to update and develop new configuration standards when appropriate.
- SSA should continue monitoring the Agency's devices for compliance with the configuration standards.
- SSA needs to continue the work of the SSPP and regularly monitor the level of access to significant data.

SSA took additional steps to protect its critical information infrastructure and systems security in a variety of ways. For example, SSA's Critical Infrastructure Protection workgroup continuously works to ensure Agency compliance

with various directives, such as HSPDs and the *Federal Information Security Management Act (FISMA) of 2002* (Pub. L. No. 107-347). To comply with HSPD 7, SSA submitted its *Critical Federal Infrastructure Protection Plan* to OMB in 2004; SSA continues to work with OMB to resolve any outstanding issues regarding its plan. The Agency recently created a workgroup, which coordinates with other agencies and OMB to address HSPD 12. Further, SSA routinely releases security advisories to its employees and has hired outside contractors to provide expertise in this area.

SSA continues to improve its security program to better comply with FISMA and makes strides towards reaching green in the PMA e-Government initiative. Some of the specific steps the Agency has taken include:

- participating in *Pinnacle*, the Government-wide contingency test;
- improving its automated tool to better track security weaknesses and help monitor their resolution; and
- improving tracking of security training for SSA staff with significant security responsibilities.

Service Delivery

One of SSA's strategic goals is to deliver high-quality "citizen-centered" service. This goal encompasses traditional and electronic services to applicants for benefits, beneficiaries and the general public. It includes services to and from States, other agencies, third parties, employers, and other organizations, including financial institutions and medical providers. It also includes basic operational services including, the representative payee process, managing human capital and e-Government.

The integrity of the representative payee process is a specific challenge within this area. When SSA determines a beneficiary cannot manage his or her benefits, it 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 benefits for about 6.9 million beneficiaries. In March 2004, the President signed SSPA into law. The SSPA 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.

During our review, *Nation-wide Review of Individual Representative Payees for the Social Security Administration (A-13-05-25006)*, we confirmed the existence of all beneficiaries that were in the care of the 275 representative payees included in our sample. We found, through personal observation and interviews, that the food, clothing and shelter needs of most beneficiaries were being met. We also found several representative payees did not comply with certain SSA policies. Specifically, we determined eight payees functioned as conduit payees. Further, we found five payees failed to report events that could have affected the amount of benefit payments the beneficiaries received or the beneficiaries' right to receive benefit payments. In some instances, more than one condition may have applied to the same payee.

As of January 2005, GAO continued to identify strategic human capital management on its list of high-risk Federal programs and operations. In addition, Strategic Management of Human Capital is one of five Government-wide initiatives contained in the PMA. As of June 30, 2005, SSA continued to score "green" for Human Capital on OMB's PMA Scorecard.

SSA is being challenged to address increasing workloads, due to the baby boom generation retiring and entering their disability prone years, at the same time its workforce is retiring. Improved productivity is essential for SSA to meet the increasing workload and retirement wave challenges ahead. Technology is essential to achieving efficiencies and enabling employees to deliver the kind of service that every claimant, beneficiary and citizen needs and deserves.

The e-Government initiative of the PMA directs the expanded use of the Internet to provide faster and better access to Government services and information. Specifically, e-Government instructs SSA to help citizens find information and obtain information organized according to their needs.

SSA Has Taken Steps to Address this Challenge

SSA has taken various actions regarding its representative payee process. It has established workgroups to implement each section of SSPA related to representative payees and has issued two reports in FY 2005 to Congress:

- *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* (January 2005), and
- *Report on the Sufficiency of the Social Security Administration's Representative Payee Procedures in the Prevention of Misuse of Benefits* (November 2004).

SSA also issued to Congress a preliminary report from the National Academies as required by Section 107 of SSPA. SSA contracted with the National Academies to determine (1) the extent to which representative payees are not performing their duties as payees in accordance with SSA standards for payees, (2) which types of payees have the highest risk of misuse of benefits, (3) ways to reduce those risks and better protect beneficiaries, (4) observations

about the adequacy of payee's actions, and (5) recommendations for change or further review. The National Academies plans to submit its final report to SSA in early 2007.

Regarding human capital, SSA reports developing and implementing competency-based training for "front-line" employees; implementing a national recruitment strategy to bring the "best and brightest" individuals to the Agency; and developing a Human Capital Plan to respond to the challenge of hiring, developing and retaining a highly skilled, high performing and diverse workforce.

According to SSA, its e-Government strategy is based on the deployment of high volume, high payoff applications, for both the public and the Agency's business partners. 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. Over the past 6 years, SSA has launched the Internet Social Security Benefit Application and created on-line requests for Social Security Statements, replacement Medicare cards, proof of income letters and changes of address. In FY 2005, SSA accomplished such e-Government enhancements as releasing software to enable the public to confidentially input data regarding their resources to determine eligibility and/or apply for Medicare Part D subsidy, a program that will reduce out of pocket costs for prescription drugs for those who have limited income and resources. Another enhancement was the implementation of software to improve the usability and common look and feel of the SSA.gov WebPages.

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 Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

Disability Quality Assurance Reviews

SSA performs quality assurance reviews to measure the level of decisional accuracy for the State Disability Determination Services (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 2001	FY 2002	FY 2003	FY 2004	FY 2005
% of accurate decisions to allow or continue benefits by State DDSs	96.8%	96.3%	96.2%	96.4%	96.3%
No. of cases reviewed	39,515	39,188	39,066	40,323	37,101
No. of cases returned to DDS due to error or inadequate documentation	1,281	1,455	1,499	1,454	1,389

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 approximately 96 percent of the decisions made on preeffectuation reviews are accurate.

Preeffectuation Reviews					
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
% of State DDS decisions not returned to DDS due to error or inadequate documentation	96.8%	96.3%	96.2%	96.3%	95.9%
No. of cases reviewed	298,466	310,683	318,505	334,774	328,183
No. of cases returned to DDS due to error or inadequate documentation	9,438	11,186	12,090	12,498	13,513

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 2001	FY 2002	FY 2003	FY 2004	FY 2005
Overall Average	96.1%	95.2%	94.2%	94.7%	94.9%
Continuances	96.4%	95.5%	94.4%	95.0%	95.3%
Cessations	93.8%	93.5%	93.5%	93.0%	93.3%

OASI and SSI Quality Assurance Reviews

One of SSA's four Government Performance and Results Act (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 Performance Section of this report on pages 87-88, 89-90, and 110.

SSI Redeterminations

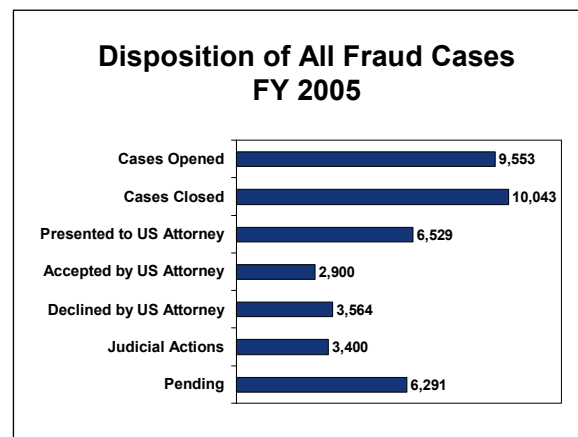
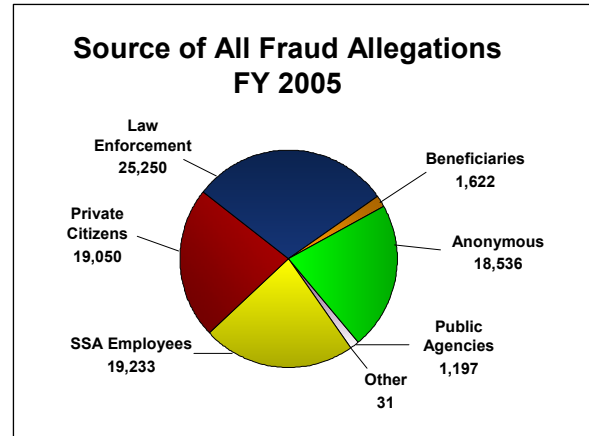
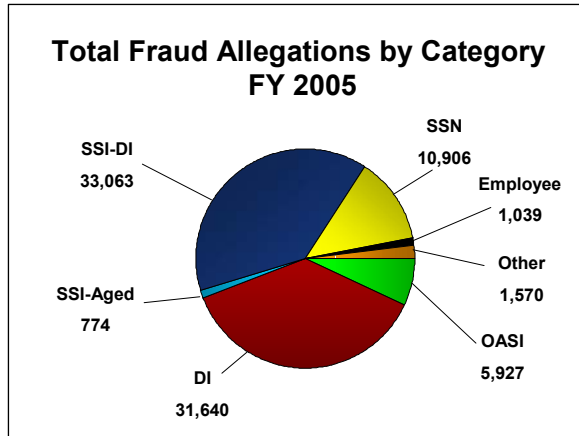
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA set a goal for the number of SSI redeterminations to be processed in FY 2005. Detailed discussion on SSI redetermination performance can be found in the Performance Section of this report on page 85.

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 \$1.2 billion in processing over 8.8 million alerts in FY 2004. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of more than \$8.2 billion in overpayments detected and/or prevented. The FY 2005 results of these payment safeguard activities will be available in 2006.

OIG's Anti-Fraud Activities

In FY 2005, 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 \$285 and \$305 million in FY 2004 and FY 2005, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 89 percent of user fee revenues are derived from agreements with 22 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2005, SSA charged a fee of \$9.06 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$9.29 for FY 2006. 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. SSA is planning to perform a review of these fees during FY 2006.

Debt Management

During FY 2005, SSA continued its comprehensive debt collection program. SSA employs its own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. SSA's internal debt collection methods include benefit withholding to collect overpayments from monthly benefits when the person is still on the rolls. In FY 2005, SSA collected \$2.0 billion in overpayments by this method. When the person is no longer on the rolls, SSA uses its own billing and follow-up system to collect overpayments. Using that system, SSA sends a series of progressively stronger notices requesting repayment and makes telephone calls to negotiate repayment. The Agency collects several hundred million dollars a year by this method. In addition, SSA used the following aggressive debt collection tools authorized for the Agency:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund.
- Administrative Offset which is the collection of a delinquent debt from a Federal payment other than a tax refund.
- Mandatory Cross-Program Recovery which is the collection of a former SSI recipient's debt from any Old-Age, Survivors and Disability Insurance (OASDI) benefits due that person.
- Credit Bureau Reporting which acts as an incentive for individuals to repay their delinquent debts, or face the consequences of a bad credit report.
- Administrative Wage Garnishment which is the collection of delinquent debts from the wages of overpaid individuals.

These tools continue to demonstrate their significance in the collection of delinquent program debt. In FY 2005, SSA surpassed cumulative collections of \$1 billion as a result of the use of tax refund offset and administrative offset since 1992. In FY 2005 alone, SSA collected over \$110 million as a result of the Treasury Offset Program. Since implementation of mandatory cross program recovery in February 2002, SSA has collected over \$207 million by that method.

In FY 2005, SSA also implemented administrative wage garnishment (AWG), or the collection of delinquent OASDI and SSI debts from wages of people working in the private sector. This collection technique promises to be a significant addition to SSA's debt collection program. We estimate \$105 million in debt collections as a result of the use of AWG.

Future plans include an expansion of the AWG program as well as implementation of Federal Salary Offset (FSO), Non-Entitled Debtors, Interest Charging, and private collection agencies, as explained below:

- AWG Expansion will include many more delinquent debtors.
- Federal Salary Offset, which will collect overpayments from the salaries of Federal employees who owe program debts, and
- Non-Entitled Debtors, which will collect overpayments made to representative payees after the death of the beneficiary.

In addition, SSA continues to use the system developed in FY 2002 to analyze and monitor its debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. SSA recognizes that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. SSA has underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the GPRA performance report only includes legally defined overpayments in which beneficiaries have certain due process rights.

SSA Debt Management Activities					
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Total debt outstanding end of FY (millions)	\$11,437.1	\$12,531.0	\$13,418.4	\$12,260.2	\$13,154.8
% of outstanding debt					
- Delinquent	9.3%	16.5%	18.9%	20.3%	21.8%
- Estimated to be uncollectible	25.3%	18.9%	21.1%	24.6%	24.2%
New debt as a % of benefit outlays	1.7%	0.9%	0.8%	0.8%	0.8%
% of debt collected	19.9%	18.5%	17.2%	18.3%	18.5%
Cost to collect \$1	\$0.11	\$0.11	\$0.10	\$0.09	\$0.09
% change in collections from prior FY	(4.4%)	1.5%	(0.3%)	(2.5%)	9.5%
% change in delinquencies from prior FY	(3.5%)	94.4% ¹	22.4%	(2.1%)	15.3%
Collections & write-offs as a % of Total Debt	21.5%	21.0%	19.4%	18.0%	19.3%
Collections as a % of clearances	70.8%	70.8%	71.5%	71.6%	74.3%
Total write-offs of debt (in millions)	\$941.3	\$954.0	\$918.7	\$892.7	\$841.8
Average number of months to clear receivables:					
- OASI	14	14	18	22	20
- DI	32	34	33	38	30
- SSI	4	26	52	47	42

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.

FY 2005 Quarterly Debt Management Activities (In Millions)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	\$13,014.7	\$12,809.7	12,934.2	\$13,154.8
Total collections (cumulative)	(590.4)	(1,145.9)	(1,765.5)	(2,437.3)
Total write-offs (cumulative)	(182.1)	(346.4)	(594.3)	(841.8)
TOP collections (cumulative)	(1.7)	(45.4)	(70.8)	(73.7)
Aging schedule of delinquent debts:				
- 180 days or less	839.0	764.0	750.1	844.8
- 181 days to 10 years	1,865.2	1,864.5	1,890.6	1,943.3
- Over 10 years	<u>39.8</u>	<u>40.7</u>	<u>41.8</u>	<u>44.1</u>
- Total delinquent debt	\$2,744.0	\$2,669.2	\$2,682.5	\$2,832.2



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 Information Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the Government Performance and Results Act of 1993.

Statistical Sampling

The Old-Age, Survivors and Disability Insurance (OASDI) payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the 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 are expressed separately in terms of overpayments and underpayments. For FY 2004, improper payments resulting in overpayments totaled \$2.4 billion or 6.4 percent of outlays. Improper payments resulting in underpayments totaled \$504 million representing 1.3 percent of total 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 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 second consecutive year SSA performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI and SSI programs for fiscal years (FYs) FY 2002, 2003 and 2004 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 2005, 2006, 2007 and 2008 for the OASDI and SSI programs are presented in Table 2. Estimated improper payment rates for FY 2005 will be available in June 2006. In the SSI program, SSA 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 2002 – FY 2004
(\$ in millions)**

	FY 2002		FY 2003		FY 2004	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	\$384,000	100%	\$396,700	100%	\$415,100	100%
Underpayments	\$175	0.05%	\$203	0.05%	\$535	0.13%
Overpayments	\$425	0.11%	\$173	0.04%	\$1,286	0.33%
DI						
Total Payments	\$64,200	100%	\$69,800	100%	\$78,200	100%
Underpayments	\$175	0.27%	\$280	0.40%	\$564	0.72%
Overpayments	\$169	0.26%	\$1,051	1.51%	\$1,296	1.70%
OASDI						
Total Payments	\$448,200	100%	\$466,500	100%	\$493,300	100%
Underpayments	\$350	0.08%	\$483	0.10%	\$1,099	0.21%
Overpayments	\$594	0.13%	\$1,224	0.24%	\$2,582	0.53%
SSI						
Total Payments	\$34,532	100%	\$35,706	100%	\$37,470	100%
Underpayments	\$469	1.4%	\$444	1.2%	\$504	1.3%
Overpayments	\$2,272	6.6%	\$2,195	6.1%	\$2,406	6.4%

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 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; and for FY 2004, ±0.11% for underpayments and +0.32% and -0.34% for overpayments.
3. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: 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; and for FY 2004, +0.68% and -0.69% for underpayments and +1.53% and -1.54% for overpayments.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2002, ±0.3% for underpayments and ±1.1% for overpayments; for FY 2003, ±0.3% for underpayments and ±1.0% for overpayments; and for FY 2004, ±0.3% for underpayments and ±0.7% for overpayments.

Table 2: Improper Payments Reduction Outlook FY 2005 – FY 2008
(\$ in millions)

	2005 target		2006 target		2007 target		2008 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	\$513,036	100%	\$540,627	100%	\$569,135	100%	\$598,878	100%
Underpayments	\$1,078	0.2%	\$1,081	0.2%	\$1,138	0.2%	\$1,197	0.2%
Overpayments	\$1,078	0.2%	\$1,081	0.2%	\$1,138	0.2%	\$1,197	0.2%
SSI								
Total Payments	\$42,994	100%	\$42,805	100%	\$44,875	100%	\$46,625	100%
Underpayments	\$516	1.2%	\$513	1.2%	\$536	1.2%	\$560	1.2%
Overpayments	\$2,193	5.1%	\$1,969	4.6%	\$1,930	4.3%	\$1,865	4.0%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2005 data will not be available until June 2006; therefore, the rates shown are targets (goals).
3. The FYs 2005, 2006 and 2008 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2006 Budget. The projections for FY 2007 are adjusted (from those presented in the Mid-Session Review) for the fact that there are only 11 payment days in that year, yet the quality review is not affected by payment days, but rather by entitlement months.

Improper Payments in the OASI 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 2000-2004), a total of over \$1.9 trillion was paid to OASI beneficiaries. Of that total, \$2.1 billion was overpaid, representing 0.1 percent of outlays. Underpayments during this same period also totaled \$2.1 billion, the equivalent of 0.1 percent of outlays.

Improper Payments in the DI program

Over the last 5 years, (FY's 2000-2004), a total of over \$324.6 billion was paid to DI beneficiaries. Of that total, \$3.3 billion was overpaid, representing 1.0 percent of outlays. Underpayments during this same period totaled \$1.4 billion, the equivalent of 0.5 percent of outlays.

Major Causes of OASDI Improper Payments

Major causes of improper payments in the OASDI program over this 5-year period are listed below (followed by a detailed description under the Corrective Actions section) and account for nearly 77 percent of the improper overpayments identified.

- Substantial Gainful Activity (SGA)
- Computations
- Annual Earnings Test
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Age/Date of Birth
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments.

Corrective Actions

SGA: Errors attributed to SGA accounted for almost 42 percent of all OASDI overpayment deficiency dollars in FY 2004 and about 48 percent of all OASDI overpayments for the last 5 FYs (2000-2004). 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 OASDI 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 the 5-year period, two-thirds of the deficiency dollars associated with SGA is due to the beneficiary's failure to report that he/she is working. The remaining one-third of the deficiency dollars is associated with cases where SSA receives a notice of work activity, but fails to take appropriate action to adjust payment.

SSA has implemented a new tool that should help improve timeliness and accuracy in processing DI work-related Continuing Disability Review (CDR) cases. eWork, which was implemented in 2004, provides managers with an automated tool for monitoring the CDR workload which aides in ensuring that these cases are prioritized for timely processing. Previously, problems with work CDR determinations were enhanced due to the use of multiple local area network-based systems to manage the work CDR process. In addition to being a tool for managers, eWork allows SSA staff to process and record work activity in a single national web-based database.

The Office of Child Support and Enforcement (OCSE) database of new hires should be useful to SSA in identifying unreported work that affects DI benefits. The identification of unreported wages from a match with the OCSE database would be timelier than the current annual earnings reporting/processing operation. SSA is currently pursuing a pilot with OCSE and is expected to be in place by the second quarter of FY 2006.

Death Notification: More timely and accurate death data would enable SSA to better effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments and other jurisdictions to improve the current death registration process. The most efficient manner to improve timeliness and accuracy of State data is by using an Electronic Death Registration (EDR) system; a web-based automation of the death registration process. EDR electronically links the participants in death registration and contains an online real-time Social Security Number (SSN) verification process. SSA's goal is to receive verified death report within 5 days of death and within 24 hours of the report's receipt in the State repository. EDR would also improve the accuracy of the death master file that we share with other Federal agencies. In FY 2005, 7 States and the District of Columbia have implemented EDR. In September 2005, 5 more States were awarded EDR contracts; totaling 22 States that SSA has currently awarded EDR development contracts. SSA plans to award as many States as FY 2006 funding allows by September 30, 2006. We anticipate the States under contract will implement in FY 2006 and FY 2007. SSA is currently working with the Departments of Health and Human Services (DHHS) and Homeland Security to transfer this workload to DHHS as required by the Intelligence Reform and Terrorism Prevention Act of 2004.

Computations: In past years, SSA implemented a series of initiatives to correct computation errors in benefit payments that had accumulated. They were related to the improper handling of additional earnings by entitled beneficiaries and the failure to convert recipients to higher benefits timely. To prevent continued occurrences of these errors, SSA is in the process of developing automated capabilities that will prevent, identify and correct these situations.

Relationship/Dependency: In the relationship/dependency area, SSA has redesigned its student verification process. Starting in March 2001 for students born June 2, 1983 or later, SSA 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/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. 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 158 million W-2s electronically for tax year 2004 (66 percent of all W-2s filed). By tax year 2005, SSA expects to receive over 70 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 beneficiary's earnings record; and
- 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.

To further improve posting of earnings records, in June 2005 SSA implemented the Social Security Number Verification Service (SSNVS). SSNVS allows registered employers or their third party representatives to verify the names and SSN's of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSN's per screen with immediate results or upload a file with up to 250,000 names and SSN's with the results available the next business day.

WC: 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, State law may impose 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. Since there is no automated verification of WC payments, SSA relies mainly on individual disclosure of WC payments and changes. Since these reports are typically not timely, if given at all, some of these individuals have 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 is the third leading causes of OASDI underpayment errors in FY's 2003 and 2004.

SSA's Operations staff reworked more than 112,000 cases in FY 2002 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. These cases were to be worked over a 5-year period starting in FY 2003 and ending in FY 2007. However, in FY 2005, SSA placed a hold on the reworking of the cases where there is no longer an offset being imposed and instead is reviewing 14,000 of the original cases reworked in FY 2002 to use new interactive computation facilities. This review is to ensure these cases were computed correctly and documented properly. Information from this review will be used to establish any prospective development and processing changes. We are also continuing to pursue possible data exchange agreements with entities that have WC data available, such as the Centers for Medicare and Medicaid Services and other organizations that work with private and State insurance companies.

Dual Entitlement: SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients, current and former, who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SSI benefits. To 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

To better track the causes of improper payments in the SSI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years, (FY's 2000-2004), a total of over \$172 billion was paid to SSI recipients. Of that total, \$10.7 billion was overpaid, representing 6.2 percent of outlays. Underpayments during this same period totaled \$2.2 billion, the equivalent of 1.3 percent of outlays.

Major Causes of SSI Improper Payments

For the 5-year period, FY 2000-2004, the major causes of overpayments in the SSI program (a more detailed description is below under the Corrective Actions section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

Each of these causes individually exceeded the sum of the next three overpayment categories.

The major causes of underpayments in the SSI program for the same period (followed by a detailed description under the Corrective Actions section) were:

- Wages
- Living Arrangements
- In-kind Support and Maintenance

Corrective Actions

For the entire 5-year period, 81 percent of the overpayment improper payments were caused by a change that occurred independent of an initial claim or redetermination.

Financial Accounts: For the 5-year period, financial accounts were the leading cause of overpayment improper payments, accounting for about 19 percent of the total. For FY 2004, financial account overpayment deficiencies project to \$369 million and represent 14 percent of all improper payments.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For each year in the 5-year period, the primary cause of these errors was the failure of the recipient or representative payee to advise the Agency of the existence of a financial account or an increase in the amount of an account.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments developed after the Agency had been in contact with the recipient. Over the 5-year period, 74 percent of the improper payments in this category fit this description.

The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA promulgated final regulations in FY 2004 that allow the Agency to query financial institutions electronically. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. In addition, verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination. In February 2005, Social Security initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The data gathering of this study concluded in FY 2005. Study analysis and reporting will occur in the second quarter of FY 2006 whereby the results will be used to increase the effectiveness and efficiency of a future national electronic verification process.

Wages: Wages have been the leading deficiency type for overpayment improper payments in 3 of the last 5 years and the second leading deficiency type over the last 5 combined years. They accounted for about 18 percent of total overpayment improper payments during the 5-year period. The major factor (89 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate timely report of new or increased wages for the recipient or deemor.

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 were evaluated and SSA decided to conduct a second pilot to test a more user-friendly knowledge-based authentication process rather than the PIN/password process used in the first pilot. Reporters had difficulty navigating the PIN/password process. Results of the second pilot will determine 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 \$398 million in overpayment deficiencies in FY 2004.

SSA is conducting an initiative with the intention to streamline SSI wage documentation requirements. In January 2005, SSA began a year long test in selected services areas where working SSI recipients and deemors mail pay slips to a centralized unit to process wage reports. This centralized wage reporting test will be evaluated when it concludes in December 2005.

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.

Wages have been the leading cause of underpayment improper payments in 4 of the last 5 years, accounting for about 27 percent of total underpayment improper payments during the 5-year period. The major factor (84 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor.

Over the 5-year period, wages earned by recipients and wages earned by deemors were about equally involved, accounting for 53 percent and 47 percent of underpayment improper payments, respectively.

For the 5-year reporting period, wage fluctuations accounted for 80 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed.

For the entire 5-year reporting period, 80 percent of the wage underpayment improper payments were caused by a change that occurred after the last redetermination (72 percent) or after an initial claim (8 percent).

Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

Living Arrangements: Living arrangements were the second leading cause of underpayment improper payments for 4 of the last 5 years, and the leading category in FY 2002. It refers to people who should have been paid based on “living in own household”; e.g., home ownership, rental liability, paying pro rata share of household expenses, but were paid based on another living arrangements. Over the 5 years, this deficiency primarily occurred (81 percent) when the recipient/representative payee failed to provide an accurate timely report showing that the value of the one-third reduction (the reduction factor when a recipient is not paying his or her full share of the household expenses) no longer applied. Two changes accounted for the majority of underpayment dollars: (1) the recipient began paying a pro rata share of household expenses (40 percent); or (2) the recipient assumed rental liability (26 percent). For each year in the 5-year period, over one-half of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination. Only 5 percent of the total underpayment improper payments resulted when the recipient changed a contribution after receipt of the first SSI payment.

In-kind Support and Maintenance (ISM): ISM deficiencies were the third leading cause of underpayment error dollars over the last 5 years. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (79 percent). This occurred because recipients/representative payees failed to report changes or made an incomplete/inaccurate report (70 percent) and because field offices inaccurately processed cases (22 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, over one-half of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when the Agency is not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

Medical Aspects of the DI and SSI programs

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The actual allowance and denial accuracy rates for FYs 2003 and 2004 are presented in Table 3. 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 2004 and 2005 is 97 percent. FY 2005 data will be available in January 2006.

Table 3: DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2003	FY 2004
Allowance	98.3%	98.2%
Denial	94.7%	95.4%
Combined	96.1%	96.4%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2004, the Actuary has produced estimates that PER saved the trust funds \$618 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 13:1.

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 2004 administrative payments and they were determined not to be susceptible to significant improper payments. In FY 2004, SSA outlayed \$8,909 million to administer the OASI, DI and SSI programs. These costs largely consisted of payroll and benefits but also included payments to State agencies for the DDS.

Risk Assessment

To better facilitate the risk assessment process, SSA segmented administrative payments into several categories. These categories were used to analyze and determine SSA's vulnerability to improper payments.

Table 4: FY 2004 Administrative Expenses (\$ in millions)	
Payroll and Benefits	\$4,433
State DDS	\$1,696
Other Administrative Expenses*	\$2,780
Total Administrative Payments	\$8,909
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 4 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 FY 2002 added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of \$500 million in a FY to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that Agencies shall have a cost effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, SSA previously contracted with PRG Shultz, a recovery auditing firm, through an Interagency Agreement with the Department of the Treasury. The purpose of the contract was to validate the existing internal SSA review of contractor administrative payments. The recovery auditor began an initial review of the Agency's administrative payment process and internal control structure in January 2004. The audit process continued throughout FY 2004 and into FY 2005.

Program Scope

The recovery audit program scope included a review of administrative contractor payments from FY 2001 through FY 2004 totaling \$3.3 billion. Of that amount, only .001 percent or \$48,503 had been identified and collected. These results further validated SSA's existing controls for prevention, detection and correction of administrative improper payments.

SSA did not renew the FY 2004 Interagency Agreement with Treasury since we decided to discontinue utilizing PRG Shultz as our recovery auditor. Instead, SSA adopted some of the procedures employed by PRG Shultz, and established an in-house recovery audit program for the review of administrative payments. Results from the recovery audit program continue to reinforce our internal control structure which continues to exhibit our commitment to the President's Management Agenda.

Initial results from our in-house recovery audit and quality review process continue to confirm that administrative payments are well below the threshold established for reporting improper payments. The in-house recovery audit and quality review process will continue to report results monthly, with details on necessary corrective action.

The Agency has elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor’s final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Table 5: Recovery Auditing Results (\$ in millions)						
Agency Component	Amount Subject to Review for FY 2005 Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Percentage of Amounts Identified/Actual Amount Reviewed	Amounts Recovered, Current Year	Amounts Recovered, Prior Year(s)
Administrative Expenses	\$1,160	\$61	\$.317	.52%	\$.050	\$.017

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.

IT Strategy

Starting in FY 2005, the "clusters" of IT projects were replaced with Strategic Objective (SO) Portfolios. These SO Portfolios are based on SSA's nine Strategic Objectives as defined in the Agency Strategic Plan. There are also two additional portfolios not corresponding to an Agency Strategic Objective: one for Infrastructure and one for Legislation. The majority of improper payment IT initiatives fall within two SO portfolios: 1) Improper payments; and 2) Manage finances.

Provided the Agency develops the IT initiatives identified to improve preventing, detecting and collecting improper payments and is given the resources to do so, SSA will be in a better position to achieve its goal to have 96 percent SSI payment accuracy by FY 2008. In the FY 2006 budget submission, SSA requested \$9,403 billion for Limitation on Administrative Expenses (LAE). Almost half of the increase of \$670 million in discretionary budget authority from SSA's FY 2005 appropriation will be used to fund SSA's ongoing work related to Medicare modernization, in particular, the Medicare prescription drug program. The FY 2006 budget also supports SSA's efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include significant budget investments in continuing disability reviews and SSI non-disability redeterminations as well as increased emphasis on the use of computer matches to identify and prevent overpayments. Through these activities, SSA can ensure the ongoing stewardship of our programs.

Statutory and Regulatory Barriers to Reducing Improper Payments

SSA continuously develops legislative proposals to improve administration of the OASI, DI and SSI programs. For example, SSA will be asking Congress to consider amendments to the OASI, DI and SSI programs in support of the President's FY 2006 budget. Of the proposals in the draft "Social Security Amendments of 2005", two would simplify administration of the SSI program and one would improve the integrity of the program and provide SSA with an additional tool to prevent improper payments.

SSI Simplification Proposals: Simplifying the SSI program reduces improper payments. The first simplification proposal in the President's budget would modify the requirement to establish a dedicated account and the accompanying spending restrictions so that they would not apply in cases in which a parent of a disabled child lives with the child and is his or her representative payee. Removing the dedicated account requirement in cases of parents and children would be family friendly in that it recognizes that parents know how best to allocate money for their children's needs. It also would result in an administrative simplification in that SSA would no longer have to track expenditures from dedicated accounts. The second proposal would treat most cash military compensation as earned income for SSI purposes. The provision would treat cash military compensation and civilian wages alike, and thus eliminate the present unfair and disadvantageous treatment of cash military compensation other than basic pay. It would also eliminate SSA having to categorize as either earned or unearned income over 40 types of military compensation.

Program Integrity Proposal: A proposal 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. The projected SSI estimated savings over 10 years of \$493 million, and additional significant savings in the Medicaid program of nearly \$639 million. 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 2005, SSA collected \$2,034 million in program debt. The Agency's debt collections are achieved in a variety of ways that have been developed over the years. Collection techniques include SSA's internal methods such as benefit withholding and billing and follow-up. In addition, the Agency uses external collection techniques such as the Treasury Offset Program (TOP), credit bureau reporting and administrative wage garnishment (AWG).

SSA's strategy for improving its debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, SSA has worked steadily over the years to build the strong debt collection program it now employs. Although the Agency

has a history of striving for maximum stewardship of the trust funds, it launched an expansion of debt collection tools in the early 1990's that continues today. Taking advantage of the legal authorities granted to it in the relatively recent past, SSA began its expansion with the implementation of tax refund offset (TRO) in 1992. The Agency enhanced its TRO program twice in the 1990's and then merged it with TOP in 1998. In June 2005, SSA surpassed \$1 billion in cumulative debt collections from TRO/TOP.

In 1998, SSA began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, the Agency also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over \$250 million in delinquent overpayments by people who do not want to submit to the reporting.

After receiving the authority to use mandatory cross program recovery, or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, SSA developed and implemented this internal collection method. Since the year 2002, the Agency has collected over \$200 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients.

SSA received additional authority for cross-program recovery in the Social Security Protection Act of 2004. SSA is now able to use mandatory cross-program recovery in situations where cross-program recovery was not previously permitted. SSA started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments. SSA intends to expand the cross-program recovery program to other situations in the future.

Most recently, SSA implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each pay day from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. The first garnishment orders were issued in April 2005 to the employers of OASI, DI and SSI debtors who became delinquent in 2005. SSA intends to expand its AWG program to all existing delinquent debtors.

In addition to the preceding improvements, SSA implemented other debt collection techniques of major import. One such improvement is called "Netting," an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, SSA has prevented over \$280 million in overpayments computed and underpayments paid through September 2005.

SSA also helped other Federal agencies with debt collection by collaborating with Treasury's Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program collects delinquent tax debts from Social Security benefits.

Continued improvement in the Agency's debt collection program is also underway. SSA is developing its Federal Salary Offset program, by which delinquent OASI, DI and SSI overpayments will be collected from the salaries of Federal employees who owe the debts. The Agency is also finishing its work on a new system called the Non-Entitled Debtors program. This automated system will enable SSA to collect debts owed by people who do not have master record with the Agency. Debtors such as representative payees who receive overpayments after the death of the beneficiary will be controlled by this system.

The future will see the completion of several remaining debt collection tools. They include the use of private collection agencies and interest-charging or indexing a debt to reflect its current value. For additional information, please refer to the Debt Management narrative in the *Other Statutory Information* section of the report.

Glossary of Acronyms

A

ACAPS	Appeals Council Automated Processing System
ADA	Agency Decisional Accuracy Rate
AFGE	American Federation of Government Employees
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASA	Average Speed of Answer
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment
AWIC	Area Work Incentives Coordinator

B

BA	Benefit Authorizer
BEVE	Benefit Verification Statement
BPAO	Benefits Planning, Assistance and Outreach

C

CA	Claims Authorizer
CAS	Cost Analysis System
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CIO	Chief Information Officer
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 for Urban Wage Earners and Clerical Workers
CPMS	Case Processing and Management System
CR	Claims Representative
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DDS	Disability Determination Service
DDSO	Division of Direct Service Operations
DHHS	Department of Health and Human Services
DHS	Department of Homeland Security
DI	Disability Insurance

DIODS	Disability Operational Data Store
DMS	Debt Management System
DOL	Department of Labor
DOS	Department of State
DOWR	District Office Workload Report

E

EAB	Enumeration-at-Birth
eDIB	Electronic Disability
EDR	Electronic Death Registration
EIC	Executive Internal Control
EMIS	Executive and Management Information System
EMODS	Earnings Management Information Operational Data Store
EN	Employment Networks
EPOXY	Earnings Posted Overall Cross Total/Year-to-Date System
ESF	Earnings Suspense File

F

FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FICA/SECA	Federal Insurance Contributions/Self Employment Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FOSSNER	Field Office Social Security Number Enumeration Report
FSO	Federal Salary Offset
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPRA	Government Performance and Results Act of 1993
GS	General Schedule
GSA	General Services Administration

H

HHS	Health and Human Services
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

HO	Hearings Office
HSPD	Homeland Security Presidential Directives
I	
ICT	Immediate Claims Taking
iDD	Internet Change of Direct Deposit
iMRC	Internet Medicare Replacement Card
IPIA	Improper Payments Information Act of 2002
IRIB	Internet Retirement Insurance Benefits
IRS	Internal Revenue Service
IRTPA	Intelligence Reform and Terrorism Prevention Act
ISBA	Internet Social Security Benefit Application
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board
IWMS	Integrated Work Measurement System
IWMS/DOWR	Integrated Work Measurement System/District Office Workload Report
K	
KPI	Key Performance Indicator
L	
LAE	Limitation on Administrative Expenses
M	
MCAS	Managerial Cost Accountability System
MD&A	Management's Discussion and Analysis
MEF	Master Earnings File
MI CENTRAL	Management Information Central
MIICR	Management Information Initial Claims Record
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
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OIO	Office of International Operations
OMB	Office of Management and Budget
O/P	Overpayment
OQA	Office of Quality Assurance
OQAPA	Office of Quality Assurance and Performance Assessment
OTR	On-The-Record

P

PABSS	Protection and Advocacy for Beneficiaries of Social Security
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PEODS	Post-eligibility Operational Data Store
PER	Per-Effectuation Review
PMA	President's Management Agenda
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

RC	Regional Commissioner
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
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
RZ SDO	Redeterminations Service Delivery Objective

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
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SO	Strategic Objective
SR	Service Representative
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
SSR	Supplemental Security Record
STATE	Department of State
SUMS	Social Security Unified Measurement System
SWA	State Workforce Agency

T

Title II	Social Security
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
TRO	Tax Refund Offset
TRO/TOP	Tax Refund Offset/Treasury Offset Program
TSR	Teleservice Representative
TST	Technical Support Technician
TY	Tax Year

U

U/P	Underpayment
USC	United States Code
USCIS	United States Citizenship and Immigration Services

V

VERN	Verify Update Earnings Screen
VR	Vocational Rehabilitation
VTC	Video Teleconference

W

W-2s	Employee Wage Reports
WC	Workers' Compensation

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Deputy Commissioner	James B. Lockhart III
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