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Management's Discussion and Analysis

Overview of SSA

Mission

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

The Social Security Programs

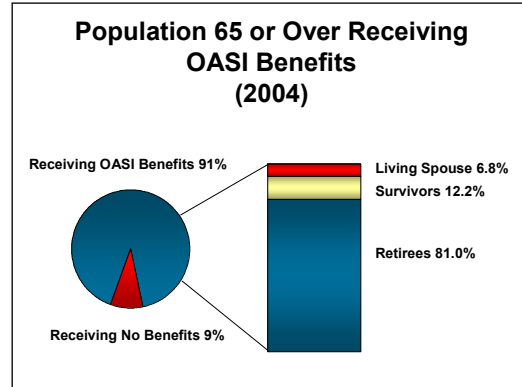
Few government agencies touch the lives of as many people as the Social Security Administration (SSA). About 52 million Americans—one out of every six—receive monthly cash benefits from Social Security or Supplemental Security Income (SSI), the major programs that we administer. Through their payroll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

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

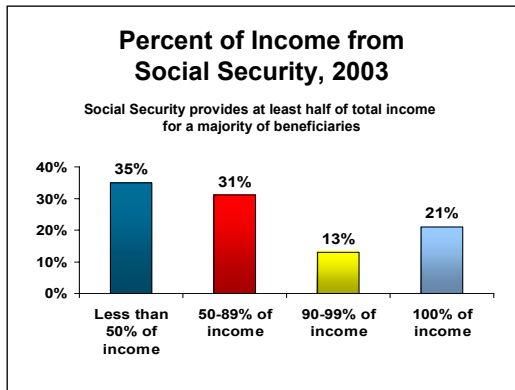
1. Sum of OASI, DI and SSI only.

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

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



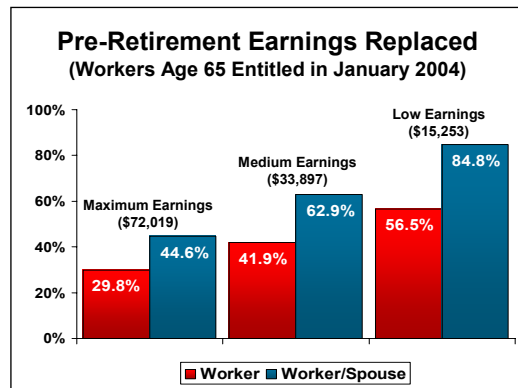
As shown in the chart to the right, 91 percent of people age 65 or over in calendar year 2004 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 97 percent of persons aged 20-49 who worked in covered employment in 2003 have acquired survivorship protection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



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

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

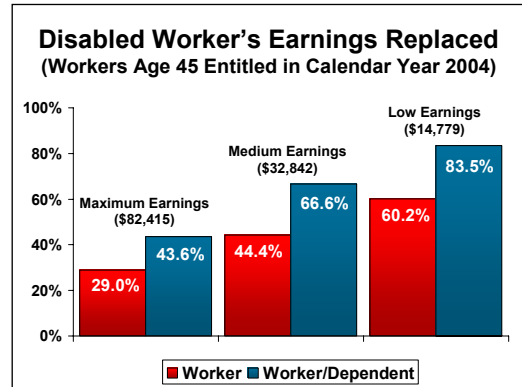
The level of preretirement (career-average) earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted in favor of workers with low levels of earnings. The chart on the right shows the replacement rate in 2004 for individuals and couples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



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

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

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



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

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

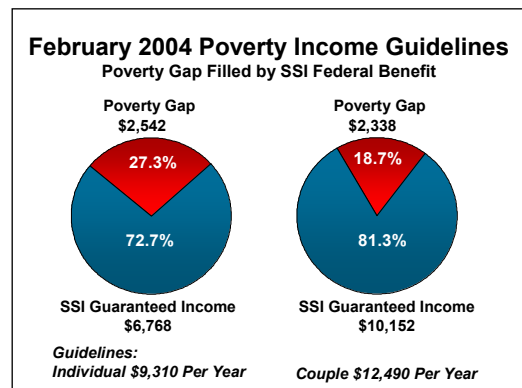
1. Based on 45-year old disabled worker. Data not available for disability benefit payments for 1954 as program began in 1957.

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

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

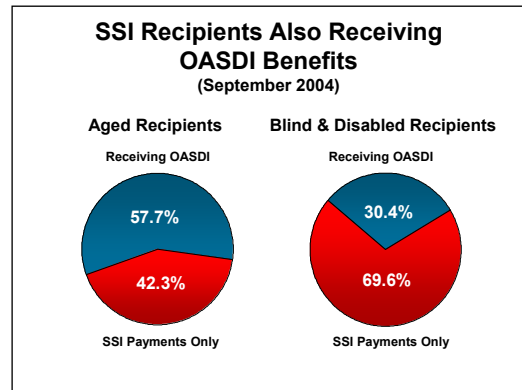
As shown in the chart to the right, SSI recipients with no other income receive the full SSI Federal benefit which is 72.7 percent of the poverty level for an individual and 81.3 percent for a couple.

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



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

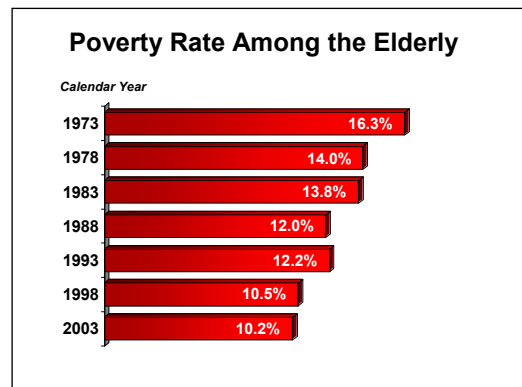
OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 35.2 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (57.7 percent) to be receiving Social Security benefits than SSI blind and disabled recipients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



How SSA Benefits the Public

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

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



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

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

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

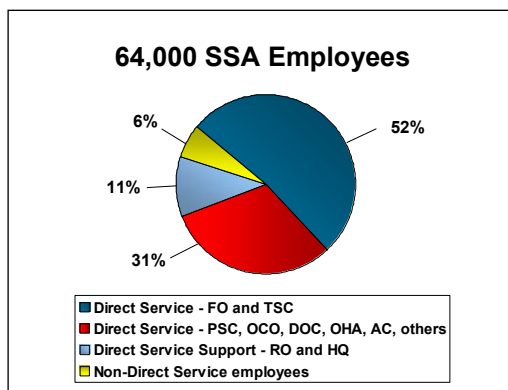
Agency Organization

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

SSA's organization is centrally managed with a decentralized nationwide network of over 1,500 Field Offices (FO), Regional Offices (RO), Teleservice Centers (800-Number), Program Service Centers (PSC) and Hearings Offices (HO). SSA's organizational structure is designed to provide timely, accurate and responsive service to the American public. By integrating support services for all of its programs, SSA enhances efficiency, avoids duplication of effort and increases opportunities to provide one-stop service to the public.

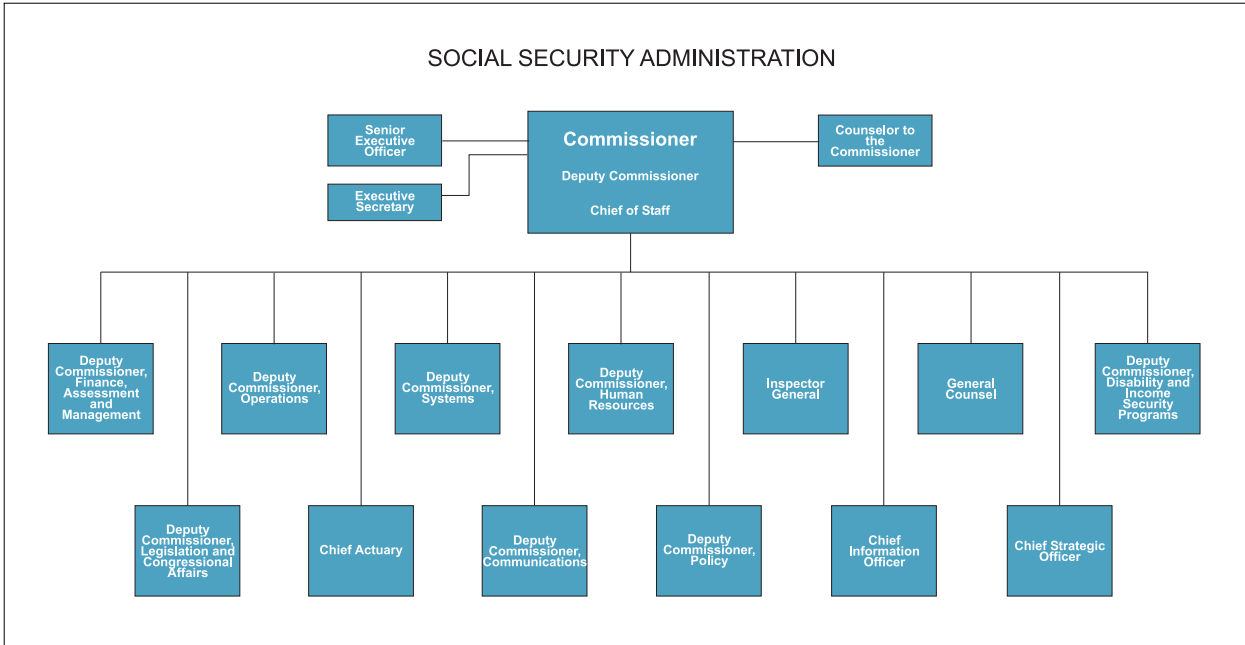
Field Offices are the primary points for face-to-face contact with the public. Teleservice Centers offer national toll-free telephone service (1-800-772-1213). The PSCs process a wide variety of workloads, as well as take 800-Number calls. The Office of Central Operations (OCO), which includes the Data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

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



SSA's remaining employees perform equally important functions in developing other information technology and public information products, ensuring sound fiscal stewardship, developing and implementing uniform program policies and procedures, and supporting the workforce by providing, maintaining and safeguarding the work spaces. Whether in SSA or a DDS, each and every employee in front-line and staff positions plays an important role in the success of the nation's Social Security programs

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



Agency Challenges

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

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

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

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

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

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

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

MAJOR MANAGEMENT CHALLENGES

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

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

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

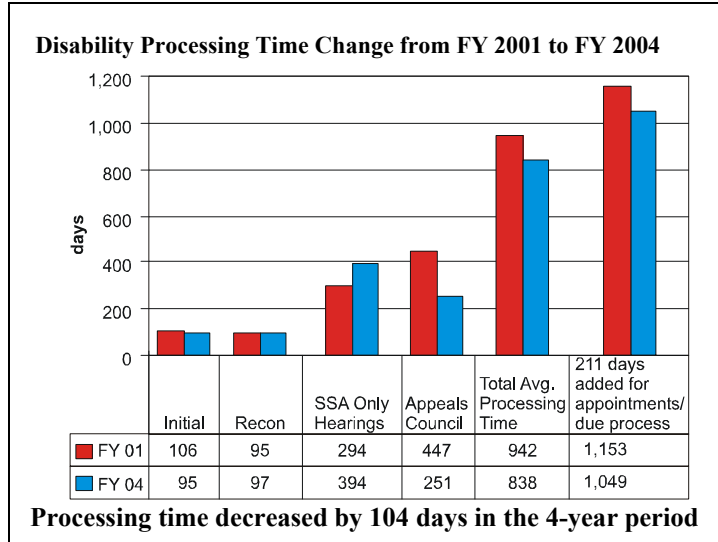
Service

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

Increase employment for people with disabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improve service through technology

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

Improving SSA service through technology will:

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

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

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

Specific strategies for improving service through technology include:

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

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

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

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

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

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

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

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

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

Examples of successful data exchanges include:

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

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

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

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

Other Service Initiatives:

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

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

Stewardship

Prevent fraudulent and erroneous payments and improve debt management

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

Preventing fraudulent/erroneous payments and improving debt management will:

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

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

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

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

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

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

Prevention and Detection Activities:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Strengthen the integrity of the Social Security Number (SSN)

The original purpose of the SSN was to enable SSA to keep an accurate record of earnings covered under Social Security and to pay benefits based on those earnings. Over time, the SSN has become a primary means of identification in both the public and private sectors. As use of the SSN has grown, so has identity fraud.

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

Strengthening the integrity of the SSN will:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Increase the accuracy of earnings records

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

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

By increasing the accuracy of earnings records, SSA is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Carefully monitoring milestone dates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Solvency

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

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

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

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

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

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

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

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

The strategies for this objective include:

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

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

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

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

- Inform and guide Agency outreach and communications activities.

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

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

Staff

Recruit, develop and retain a high-performing workforce

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

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

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

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

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

Recruitment and Retention:

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

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

Reaching out to Staff:

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

New Labor Agreement:

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

Performance Culture:

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

Strategic Competencies and Knowledge Management:

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

Providing Employees with Better Tools:

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

Performance Goals and Results

In FY 2004, SSA made significant progress toward achieving the long-term goals in the Agency Strategic Plan (ASP) for 2003-2008. The Performance and Accountability Report (PAR) is the Agency's opportunity to describe that progress. The Agency's progress is presented in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance.

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

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

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

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

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

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

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

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

For a paper copy of either SSA's Strategic Plan or Annual Performance Plan write to:

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

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

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

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

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

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

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

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

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

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

FY 2004 Performance by Strategic Goal

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

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

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

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

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

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

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

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

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

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

FY 2004 Goal: 2,485,000

Actual FY 2004 Performance: 2,574,848

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

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

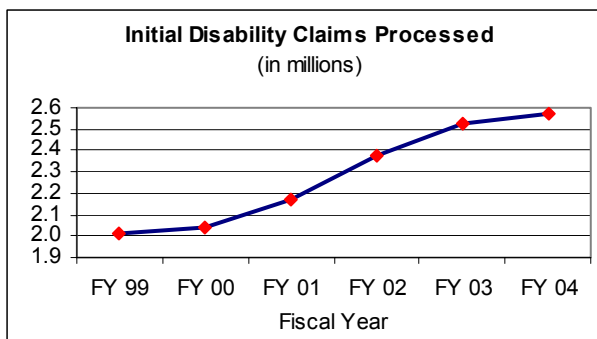
FY 1999: 2,012,047

FY 2000: 2,035,627

FY 2001: 2,166,623

FY 2002: 2,376,572

FY 2003: 2,526,020



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

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

Data Source: National Disability Determination Services System.

1.2 — Key Performance Indicator: Number of SSA Hearings Processed

FY 2004 Goal: 538,000 *

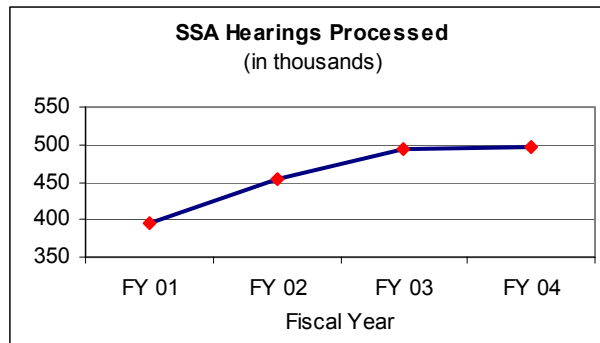
Actual FY 2004 Performance: 497,379

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

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

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

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



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

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

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

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

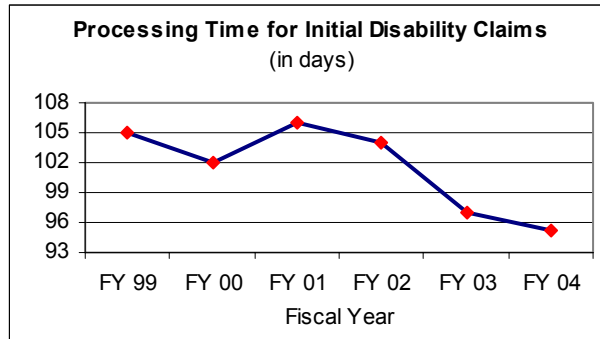
FY 2004 Goal: 97 days

Actual 2004 Performance: 95 days

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

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

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



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

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

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

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

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

FY 2004 Goal: 377 days

Actual FY 2004 Performance: 391 days

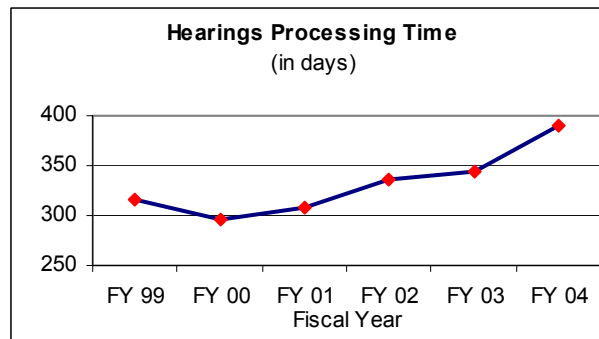
SSA almost met its goal. As more initial disability claims are denied the number of hearings filed increases. The more successful the Agency is in reducing aged cases, the more processing times will increase. Increased processing time is also affected by the growing pending workload resulting from the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

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

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

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

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



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

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

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

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

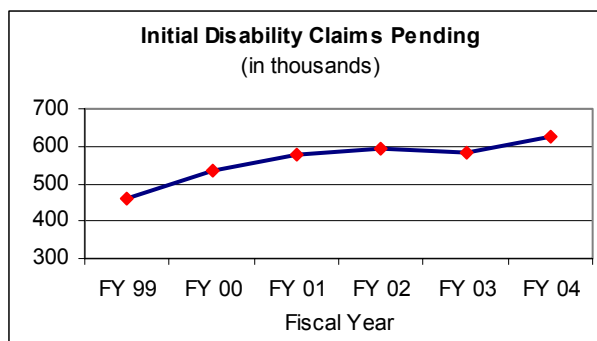
FY 2004 Goal: 582,000

Actual FY 2004 Performance: 624,658

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

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

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



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

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

Data Source: National Disability Determination Services System.

1.6 — Key Performance Indicator: Number of SSA Hearings Pending

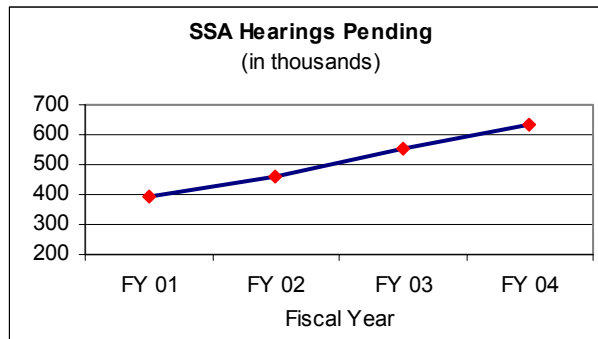
FY 2004 Goal: 586,000

Actual FY 2004 Performance: 635,601

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

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

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



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

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

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

Strategic Objective 2: Increase employment for people with disabilities

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

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

Strategic Objective 3: Improve service with technology

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

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

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

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

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

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

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

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

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

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

- Internet Social Security Benefit Application includes:
 - Retirement Application (effective 11/00).
 - Spouse Application (effective 3/01).
 - Disability Application (effective 1/02).
- Proof of Income Letter (formerly known as Benefit Verification Statement) (effective 3/99).
- Internet Medicare Replacement Card (effective 7/00).
- Internet Change of Address includes:
 - Password Based Change of Address (effective 4/01).
 - Knowledge Based Change of Address (effective 2/04).
- Internet Change of Direct Deposit (effective 8/01).

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

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

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

FY 2004 Goal: 55%

Actual FY 2004 Performance: 60%

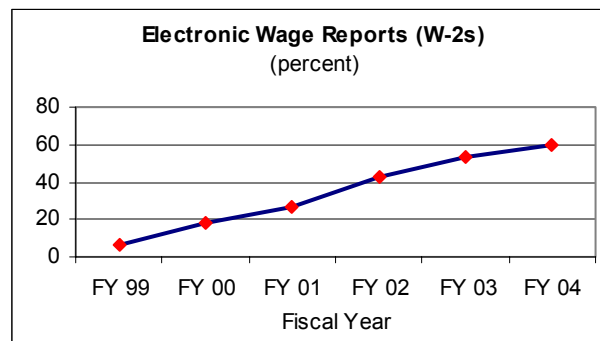
SSA met its goal. SSA has made significant improvements in its earnings process and service to employers, which includes automating the reporting of wages by employers. Electronic Wage Reporting simplifies the wage reporting process for businesses by allowing them to submit employee wage reports (Forms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

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

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

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

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



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

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

Data Source: Earnings Management Information Operational Data Store reports.

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

FY 2004 Goal: 83%

Actual FY 2004 Performance: 84.2%

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

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

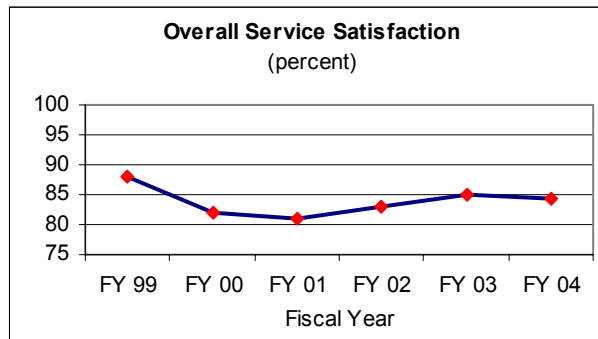
FY 1999: 88%

FY 2000: 82%

FY 2001: 81%

FY 2002: 83%

FY 2003: 85%



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

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

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

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

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

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

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

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

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

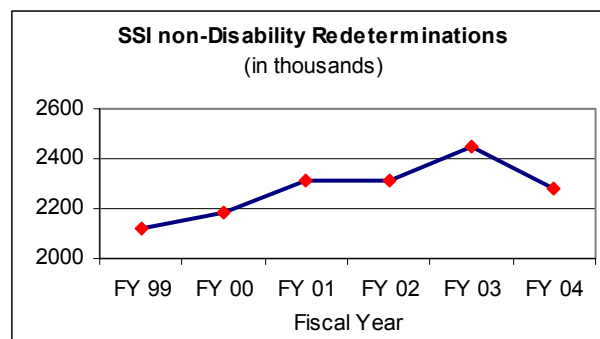
FY 2004 Goal: 2,210,000

Actual FY 2004 Performance: 2,278,566

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

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

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



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

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

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

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

FY 2004 Goal: 1,537,000

Actual FY 2004 Performance: 1,604,680

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

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

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

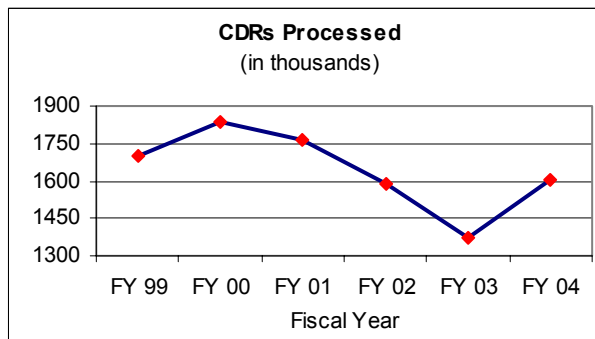
FY 1999: 1,703,414

FY 2000: 1,836,510

FY 2001: 1,762,517

FY 2002: 1,586,091

FY 2003: 1,371,255



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

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

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

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

FY 2004 Goal: 38%

Actual FY 2004 Performance: 42.2%

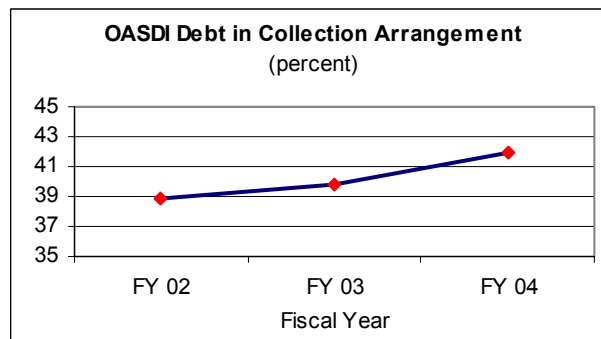
SSA met its goal. SSA’s *stewardship* responsibilities require that the Agency recover as much debt as possible. The Agency continues to use aggressive debt collection tools to recover delinquent benefit overpayments from former beneficiaries. SSA refers delinquent debts to the Treasury Offset Program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

FY 1999 – FY 2001:

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

FY 2002: 38.9%

FY 2003: 39.8%



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

Data Definition: This is the percent of outstanding OASDI debt that is scheduled for collection by benefit withholding or installment payment. The rate is expressed as the average for the year. Outstanding OASDI debt is grouped into four main categories: newly established debt; debt that involves a current due process request such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories.

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

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

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

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

Strategic Objective 6: Increase the accuracy of earnings records

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

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

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

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

FY 2004 Goal: 272 cases per workyear

Actual FY 2004 Performance: 272.6 cases per workyear

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

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

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

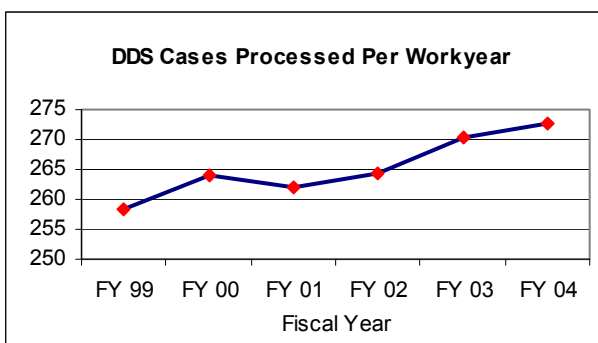
FY 1999: 259

FY 2000: 264

FY 2001: 262

FY 2002: 265

FY 2003: 270



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

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

Data Source: National Disability Determination Services System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FY 2003: Conducted analyses related to Social Security reforms.

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

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

Data Source: SSA's Office of Policy records.

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

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

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

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

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

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

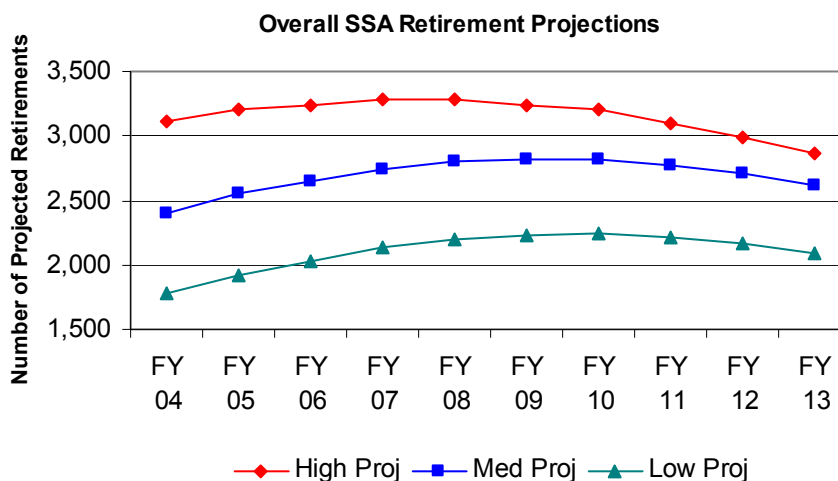
SSA’s human capital strategy is aligned with the Agency’s mission, goals and organizational objectives, and integrated into its strategic plan, performance plans and budgets —The Agency’s Strategic Plan for 2003-2008 outlines how SSA will manage and align staff to support its mission. It contains human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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

FY 2004 Goal: 84.9%

Actual FY 2004 Performance: 89.9%

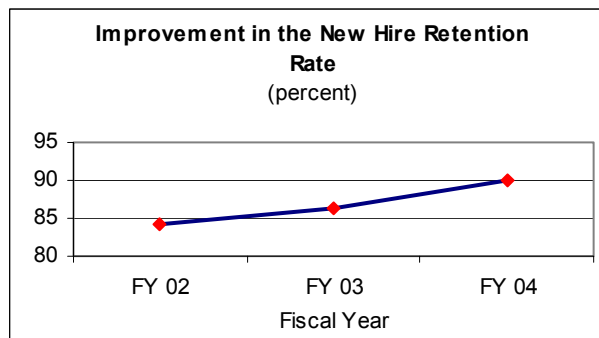
SSA met its goal. The FY 2004 performance was based on retention of employees hired in FY 2002. SSA met the goal due to its targeted recruitment programs and enhanced job applicant interview processes. The Agency also offered extensive developmental training and mentoring for new hires. The economy and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

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

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

FY 2002: 84.3%

FY 2003: 86.4%



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

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

Data Source: The Human Resource Management Information System.

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

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

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

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

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

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

FY 2003: Implemented a new SES system.

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

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

Data Source: Office of Human Resources records.

Data Quality

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Highlights of Financial Position

Overview of Financial Data

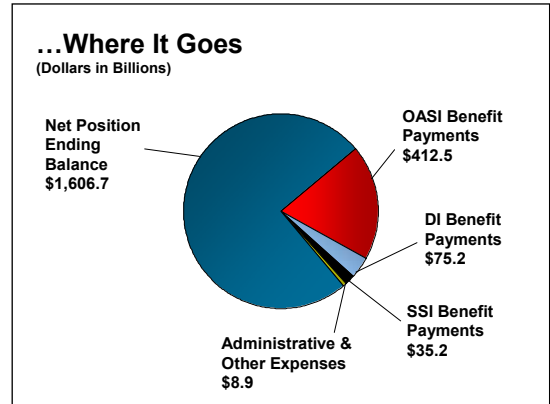
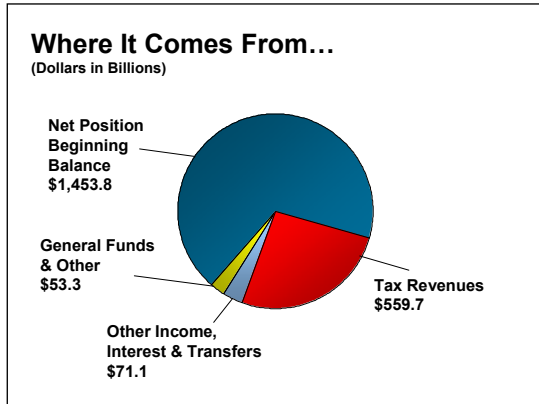
SSA's financial statements and footnotes appear on pages 145 through 192. The financial statements presented in this report can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the programs administered by SSA. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate trust funds which are financed by payroll taxes, interest on trust fund investments and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury.

Balance Sheet: The Balance Sheet displayed on page 146 reflects total assets of \$1,668.9 billion, a 10.2 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$151.2 billion growth (10 percent) in investments from 2003 is primarily due to tax revenues of \$559.7 billion and interest on those investments of \$87.6 billion, exceeding cost of operations of \$531.4 billion. The majority of our liabilities, 83 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2004 by \$1 billion (1.5 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$152.9 billion or 10.5 percent to \$1,606.7 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 57.9 percent of the growth of the trust fund, up from 54.3 percent in 2003.

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

Statement of Changes in Net Position: The Statement of Changes in Net Position reflects an increase of \$152.9 billion. This increase is primarily attributable to a \$151.2 billion increase in trust fund reserves. The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2004 and how these funds were used. These statements are displayed on pages 147 and 148, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative

expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown, as a percent of benefit expenses, is 1.7 percent. Total financing sources grew by \$19.5 billion or 2.9 percent from \$664.8 billion in 2003 to \$684.4 billion in 2004. The primary sources for this growth were a payroll and income tax revenue increase of \$12.9 billion (2.4 percent) from 2003 and investment income of \$3.4 billion (4.0 percent) from 2003. The growth in investment income was due to the 10.2 percent growth in investment which was partially offset by the drop of average interest yield from 6.52 percent to 6.25 percent.

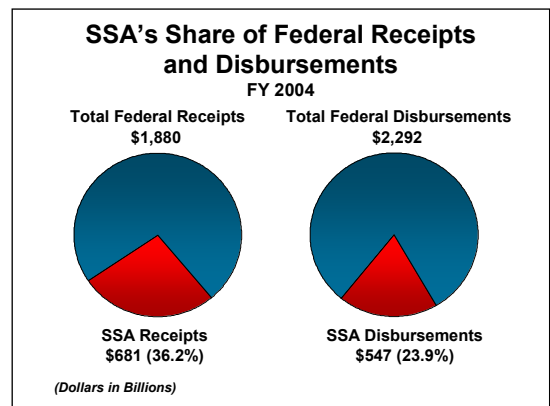


Statement of Budgetary Resources: This statement displayed on page 149 shows that SSA had \$562.9 billion in budgetary resources of which \$2.1 billion remained unobligated at year-end. SSA recorded total outlays of \$530.3 billion by the end of the year. Budgetary resources grew \$24.3 billion, or 4.5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

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

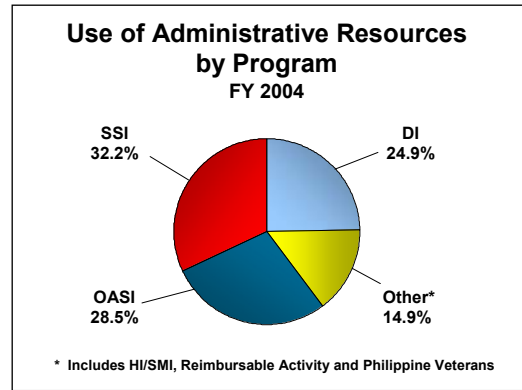
SSA’s Share of Federal Operations

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 36.2 percent of the \$1.9 trillion in total Federal receipts, a decrease of 1.7 percent over last year. Disbursements stayed the same at 23.9 percent of Federal disbursements.



Use of Administrative Resources

The chart to the right displays the use of administrative resources for FY 2004 in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise only 21.1 percent of the total benefit payments made by SSA, they consume over 57.2 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2003 use of administrative resources by program was 28.8 percent for the OASI program, 23.8 percent for the DI program, 32.4 percent for the SSI program and 15.0 percent for Other.



Trust Fund Solvency

Pay-as-you-go-Financing

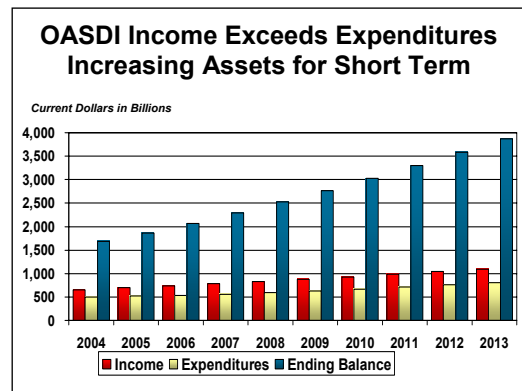
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis as long as assets (including current income and Trust Fund holdings) are sufficient to finance program obligations. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. In recent years,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

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

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

Short Term Financing

The Social Security Trust Funds are deemed adequately financed for the short term when actuarial estimates of Trust Fund holdings for the beginning of each year are at least as large as program obligations for the year. Estimates in the 2004 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. The graph shows that while combined OASDI expenditures and income are expected to increase by 69 and 73 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 153 percent to \$3.9 trillion.



Long Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2018, benefit payments will exceed tax revenues, and, in 2042, the Trust Fund will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth below population replacement rates. In present value terms, the 75 year shortfall is \$3.7 trillion, which is a \$200 billion increase from the 2003 estimate. Possible reform alternatives being discussed -- singularly or in combination with each other -- are (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues or (4) increasing returns through either personal savings accounts or direct investments of the trust funds.

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

Improper Payments Information Act of 2002

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

Background

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

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

OMB guidance on IPIA requires the evaluation of all payment outlays beyond the OASI, DI and SSI programs that SSA administers. SSA has performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments. More information on the evaluation of improper payments is provided in the Appendix of the report.

Recovery Auditing

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

Agency Efforts and Future Plans

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

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

OASI Improper Payment Initiatives

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

DI Improper Payment Initiatives

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

SSI Improper Payments Initiatives

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

Limitation on Financial Statements

The principal financial statements beginning on page 146 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515 (b).

While the statements have been prepared from the books and records of SSA in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

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

Systems and Controls

Federal Managers' Financial Integrity Act

Federal Managers' Financial Integrity Act (FMFIA) Program

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

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

SSA has no FMFIA material weaknesses to report this year. Agency managers are responsible for ensuring that effective controls are implemented in their areas of responsibilities. For the first time, in FY 2004 the Agency's highest level executives were required to submit to the Commissioner of Social Security an annual assurance statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require they be reported to the President and the Congress. This has enhanced executive accountability and provided an additional basis for the Commissioner's annual assurance statement included in the transmittal letter to this report.

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

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

The controls of the new or changed processes or systems are monitored to ensure they remain effective. Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business

processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and Office of Management and Budget (OMB) Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events, debt management and SSA's financial management systems. SSA develops and implements corrective action plans for weaknesses found through the reviews and audits and tracks the corrective actions until the weaknesses are corrected.

Management Control Review Program

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

SSA has also taken great strides to strengthen the administrative, programmatic and security controls at the State Disability Determination Services (DDS). During FY 2004, SSA has continued to improve the DDS Security Document which requires each DDS to prepare a security plan and, on an annual basis, perform a self review using the Security Review Checklist prepared by SSA. Additionally, SSA's Regional Offices (RO) perform an independent security review of the DDSs using this same review checklist. The ROs develop a 5-year review plan in which each State DDS is reviewed at least once to ensure adherence to SSA's policies. During FY 2004, SSA conducted reviews of fifteen DDS sites.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. Annually, the contractor reviews operations at SSA's central office, processing centers, five ROs, 25-30 FOs and selected PSCs. The contractor's efforts have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems (FMS) Review Program

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

During FY 2004, SSA's contractor conducted detailed reviews of SSA's Cost Analysis System, Property Accountability System and Travel Manager System. The contractor also conducted a vulnerability and risk assessment of SSA's National Computer Center and assisted systems managers in the certification and accreditation of SSA's general support systems and major application systems by performing risk-based vulnerability analyses, assessing the status of installed security controls and developing system security plans. The later effort was necessary in order for SSA to complete and submit its annual report required by the Federal Information Security Management Act (FISMA). The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations or Federal standards. However, SSA is addressing the weaknesses found and will monitor those until corrected.

Federal Financial Management Improvement Act

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

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

Federal Information Security Management Act

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

Financial Statement Audit

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

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

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

Financial Management

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

Goals and Strategies

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

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

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

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

Financial Management Performance

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

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

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

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

Financial Management Systems Framework

SSA's FMS inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. Accordingly, the FMS inventory may change from year to year depending on the progress made in modernization projects. In FY 2004, SSA utilized the following active FMS:

Program Benefits

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

Debt Management

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

Financial/Administrative

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

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