Management's Discussion and Analysis

The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and is designed to provide a high-level overview of the Social Security Administration (SSA). It provides a description of who we are, what we do, and how well we meet the goals that have been set.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. This section also discusses the major programs we administer: the Old-Age Survivors, and Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program. A brief history on how we evolved and our effect on the Nation's economic security are provided as well as a discussion of our organization.

Next, the *Overview of our FY 2008 Goals and Results* section provides an overview of our progress in the context of the *Government Performance and Results Act of 1993* (GPRA). The GPRA statute requires federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2008, we used 26 distinct GPRA performance measures to manage and track our progress. The performance measures focus on our most critical challenges and areas in need of improvement. A performance summary of our goals and results is provided in this section. All of the FY 2008 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the *Performance Section*.

The *Overview of our FY 2008 Goals and Results* section of the MD&A also speaks to our Data Quality. This section provides a discussion of the actions we have taken to address our management control responsibilities. While the Office of the Inspector General (OIG) did not initiate any performance measure audits in FY 2008, it did complete four audits that were initiated in FY 2007. Further details on audit findings and information on how OIG conducted the audits may be found in the *Auditor's Reports* section.

The *Performance and Accountability Report* would not be complete without providing a summary of the challenges we are addressing, including current and future activities and strategies in place to deal with them. The *Agency Priorities as We Move Forward* section of the MD&A defines our strategy to address the challenges and priorities we will face over the next five years. Also addressed in the *Agency Priorities as We Move Forward* section are our scores on the President's Management Agenda initiatives and our Program Assessment Rating Tool findings.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. The major sources and uses of our funds, as well as the use of these resources, in terms of both program and function, are explained.

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

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

OUR PROGRAMS BENEFIT AMERICA

Our mission: To advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.[1]

Few government agencies touch the lives of as many individuals as the Social Security Administration. Social Security benefits and Supplemental Security Income payments play a significant role in the Nation's economic security. In 1937, about 53,000 retirees received monthly Social Security benefits. The number of people we serve has increased by more than 12 percent during this decade alone. Today, we pay Social Security benefits and Supplemental Security Income to approximately 60 million individuals each month. However, Social Security benefits have not always been available to Americans.

Early in the Nation's history, a large segment of the population lived and worked on farms with their extended families. This life-style was the foundation of the Nation's economic security. Relying on one's extended family became less common during the Industrial Revolution of the late 18th and early 19th centuries as individuals moved from farms to cities. Workers began depending more on wages and less on other resources for their financial well-being. Without an extended family for support, unemployment, disability, old age, and death could threaten an individual's economic security.

This is exactly what happened in the 1930s when unemployment rates skyrocketed. The Great Depression triggered a national economic crisis. As a result, President Franklin D. Roosevelt created the Committee on Economic Security with the intention of instituting a Social Security program. He signed the *Social Security Act*, or *Act*, into law in 1935.

The *Act* established the Social Security Board, now known as the Social Security Administration, and initially provided retirement benefits to meet the public's needs. After its formation, the Social Security Board informed employers, employees, and the public on how earnings would be reported

---

[1] This was the mission as stated in the *FY 2006- 2011 Agency Strategic Plan*. We released a new *Agency Strategic Plan* in September 2008 with a new mission statement. The *FY 2009 Performance and Accountability Report* will reflect this new mission statement.

How Social Security Benefits America: Then and Now

➢ 1936- 1st Social Security office opened; 175 field offices opened by 1937

➢ 2008- 1,270 field offices open for business

*

➢ 1936- 1st Social Security Number issued

➢ 2008- To date, more than 450 million original Social Security Numbers have been issued

*

➢ 1937- 53,236 retirees received Social Security benefits

➢ 2008- 32.1 million retirees received Social Security benefits

*

➢ 1940- $41.20 was the maximum monthly retirement benefit

➢ 2008- $2,185 was the maximum monthly retirement benefit

*

➢ 1960- 500,000 workers received Social Security disability benefits

➢ 2008- 7.3 million workers received Social Security disability benefits

*

➢ 1974- 3.6 million Supplemental Security Income recipients received monthly payments

➢ 2008- 7.1 million Supplemental Security Income recipients received monthly payments
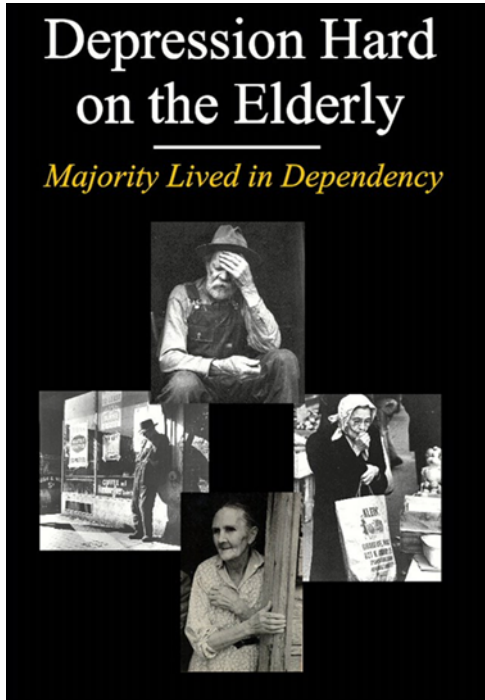
Depression Hard on the Elderly

Majority Lived in Dependency

and how benefits would be paid. The Board then contracted with the United States Post Office to distribute the numerous applications needed to register employers and workers and to assign Social Security Numbers to track earnings. The Board's processing center, located in Baltimore, MD, issued over 35 million Social Security cards in 1936-1937.

Over the years, the Social Security Administration has moved from an agency that provides old-age benefits and Social Security Numbers to an agency that provides a wide-range of benefits and services. Our agency administers two major programs: the Old-Age, Survivors, and Disability Insurance program and the Supplemental Security Income program. In addition to these programs, we assist individuals in applying for food stamps and Medicare, including the Medicare Prescription Drug Plan. These programs play a significant role in the economic security of the Nation's people, particularly among the elderly population. One-third of all elderly individuals derive at least 90 percent of their total income from Social Security benefits. As shown in the chart below, the percentage of the U.S. population age 65 and over living below the poverty line has declined from 28.5 percent in 1966 – the first year that the United States Census Bureau provided annual statistics for this segment of the population – to 9.7 percent in 2007. This decline in the poverty

The percentage of elderly living below the poverty line has decreased over the years as Social Security benefits have become a main source of income
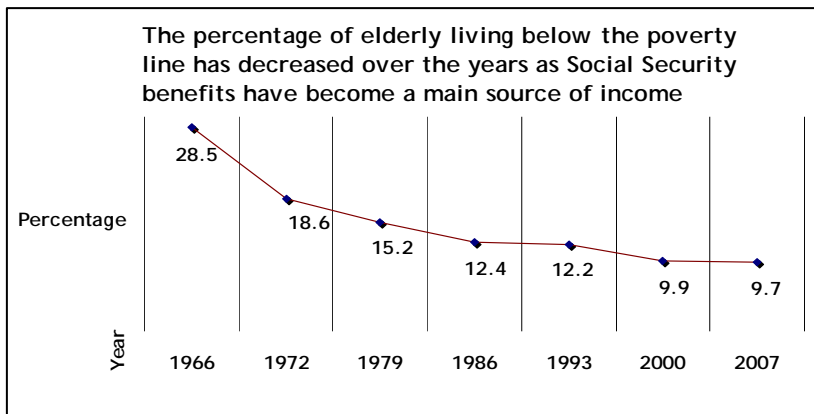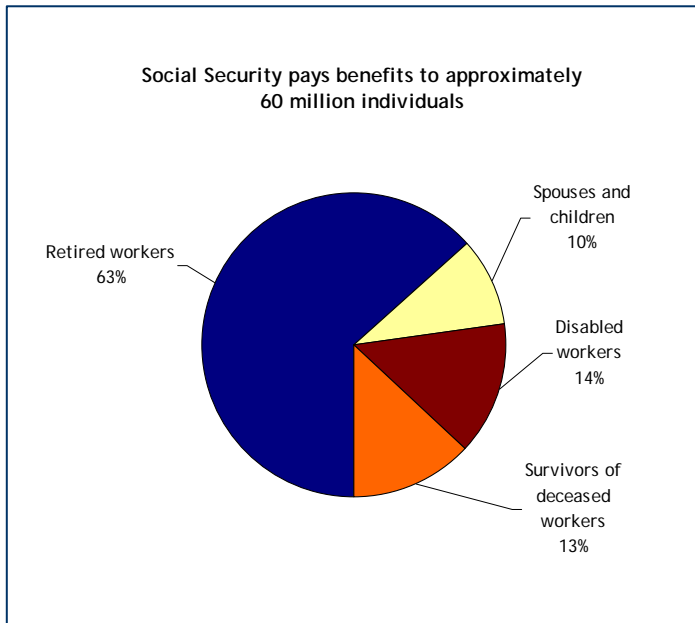
level shows that Social Security benefits and Supplemental Security Income payments have improved the quality of life for the elderly; millions more are protected in the event of disability or death. We also pay monthly benefits to people with limited income and resources who are disabled, blind, or age 65 or older. We describe the Old-Age, Survivors, and Disability Insurance program and the Supplemental Security Income program in the following sections.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

Working Americans and their families can count on benefits when they retire or become disabled. The original *Act* provided only Old-Age (commonly known as retirement) benefits to individuals at age 65. The 1939 Amendments to the *Act* added two new categories of benefits: dependent benefits and survivor benefits. Dependent benefits are paid to the spouse and minor children of the retired individual. In the event of death, survivor benefits are paid to the deceased's family.

To receive benefits, an individual must be "insured." We determine whether an individual is insured by calculating their earnings in employment covered by Social Security taxes. For retirement benefits, we compute an individual's average earnings using, in most cases, their highest earnings for a 35-year period. Employees, their employers, and self-employed individuals pay taxes based on the amount of their earnings. These tax revenues are placed into the Social Security Trust Funds from which we pay Old-Age, Survivors, and Disability Insurance benefits. We base

benefit amounts on earnings on which an individual has paid Social Security taxes. However, Social Security benefits vary because the benefit formula is progressive. This means the proportion of earnings that are replaced by benefits is greater for an individual with lower earnings than for an individual with higher earnings. This weighting assumes that individuals with lower earnings have greater financial needs than higher paid workers who are more likely to have pensions and private savings. Although full retirement age has risen from 65 to 67 for individuals born after 1959, the basic benefit structure of the Social Security system has remained essentially unchanged since 1939.

Social Security pays benefits to approximately 60 million individuals

Spouses and children 10%

Retired workers 63%

Disabled workers 14%
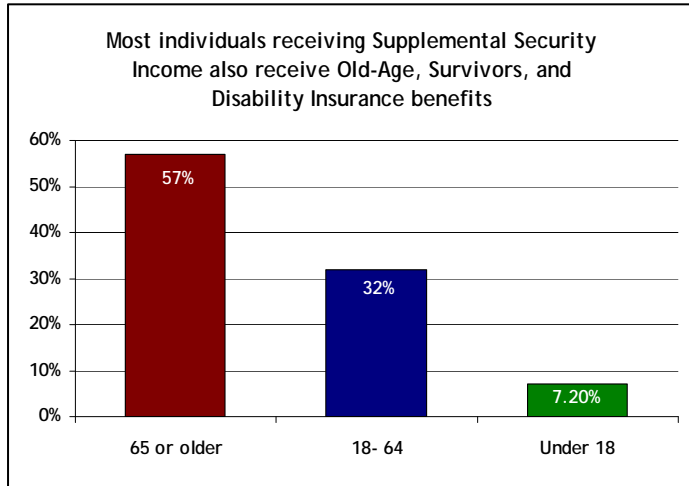
Survivors of deceased workers 13%

In addition to retirement benefits, cash benefits to disabled individuals ages 50-65 and disabled adult children were added to the *Act* in 1956, creating the Disability Insurance program. Eventually, Congress broadened the scope of the Disability Insurance program to include disabled individuals of any age and their dependents. Legislation enacted in 1968 provided benefits to disabled widows and widowers who are at least 50 years old. Disability Insurance benefits provide a continuing flow of income to eligible disabled individuals and to eligible family members. An individual is disabled if unable to perform past work or other work because of a medical condition and the disability is expected to result in death or last for at least one year. In addition, a disabled individual must have sufficient earnings to be insured for disability benefits. Once benefits begin, they continue for as long as the individual is disabled and either does not work or works but does not earn more than a certain amount per month. For more information about our programs and benefits, please visit our website at www.socialsecurity.gov.

SUPPLEMENTAL SECURITY INCOME PROGRAM

The original *Social Security Act* introduced programs for needy aged and blind individuals, and changes to the *Act* in 1950 added needy disabled individuals. State and local governments first administered these programs, known as the "adult categories" of welfare, with partial federal funding. The 1972 *Social Security Amendments* converted these state and local programs to the federal Supplemental Security Income program. Supplemental Security Income is a needs-based program for elderly individuals, as well as blind and disabled adults and children, who have limited income and resources. Supplemental Security Income provides money to meet basic needs for food, clothing, and shelter.

Elderly individuals may qualify for Supplemental Security Income if they are age 65 or older and have limited income and resources. Blind and disabled adults applying for Supplemental Security Income must meet the same disability requirements as under the Disability Insurance program, in addition to meeting limited income and resource requirements. We encourage disabled individuals receiving Supplemental Security Income to return to work and offer them special work incentives similar to those offered to individuals receiving Disability Insurance benefits.

Most individuals receiving Supplemental Security Income also receive Old-Age, Survivors, and Disability Insurance benefits

Age Group	Percentage
65 or older	57%
18- 64	32%
Under 18	7.20%

In the past, Supplemental Security Income usually was the sole source of income for most individuals receiving such payments. However, as recently as 2007, 57 percent of individuals receiving Supplemental Security Income over age 65 also received Social Security benefits. The chart on the left illustrates that a larger percentage of elderly individuals receiving Supplemental Security Income are also receiving Social Security benefits, while a smaller percentage of blind and disabled individuals under age 65 receiving Supplemental Security Income also receive Social Security benefits.

To receive Supplemental Security Income, children must meet different disability requirements than adults. You can find more information about Supplemental Security Income for children at www.socialsecurity.gov/ssi/text-child-ussi.htm.

Unlike the Social Security programs, Social Security taxes do not finance Supplemental Security Income. Instead, general revenues finance all Supplemental Security Income payments and administrative costs. Please refer to our website at www.socialsecurity.gov/pgm/links_ssi.htm for eligibility requirements and other information about the Supplemental Security Income program.

OUR ORGANIZATIONAL STRUCTURE

The Social Security Administration provides direct service to the American public at critical stages in their lives. Our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income programs touch the lives of over 95 percent of all Americans. As the federal agency charged with managing and delivering the services under these programs to individuals across the country, we have had to modify the agency's organizational structure to meet the changing needs of the public we serve.

The Social Security Administration was originally named the Social Security Board. In 1939, the Social Security Board lost its independent agency status and was combined with the Public Health Service, the Office of Education, the Civilian Conservation Corps, and the U.S. Employment Service to form the Federal Security Agency.

The President's reorganization plan of 1946 renamed the Social Security Board the Social Security Administration. Arthur Altmeyer, who had been the Social Security Board's chairman, became our first Commissioner. President Eisenhower abolished the Federal Security Agency in 1953 and created a new Department of Health, Education, and Welfare. We became a part of this new cabinet-level agency.

In 1980, the Department of Health and Human Services replaced the Department of Health, Education, and Welfare. We remained a major part of the Department of Health and Human Services until the agency returned to its original status as an independent agency, effective March 31, 1995.

Our current organizational structure is designed to provide timely, accurate, and responsive service to the public. Most of our 62,000 employees deliver direct service to the public or support the services provided by front-line workers. Our employees work in field offices, regional offices, card centers, teleservice centers, processing centers, hearings offices, the Appeals Council, and our headquarters located in Baltimore, Maryland. Field offices and card centers are our primary points for face-to-face contact with the public. Teleservice centers offer National 800 Number telephone service (1-800-772-1213). Processing centers complete a wide-range of workloads, primarily actions for individuals already entitled to Social Security benefits.

Additionally, 15,000 individuals, employed by our state and territorial partners in Disability Determination Services, help us process our disability workloads. The hearings offices and Appeals Council decide appeals of Social Security benefit and Supplemental Security Income payment determinations. Additionally, the public can conduct business and obtain information via the Internet at our website: www.socialsecurity.gov.

The Social Security Board was created when President Roosevelt signed the *Social Security Act* in 1935.

On July 1, 1939, the Social Security Board moved under the Federal Security Agency.

On July 16, 1946, the President renamed the Social Security Board the Social Security Administration.

Social Security Administration moved under the newly formed Department of Health, Education, and Welfare in 1953.

The Department of Health and Human Services replaced the Department of Health, Education, and Welfare on May 4, 1980.

The Social Security Administration again became an independent agency on March 31, 1995.

In FY 2008, we used our resources to process workloads including:

- Issuing over 18 million Social Security cards;

- Crediting almost 270 million earnings items to individuals' records;

- Issuing over 148.6 million *Social Security Statements*;

- Handling over 57 million calls to our National 800 Number;

- Handling over 44 million visitors to our field offices;

- Taking 3.9 million retirement, survivor, and Medicare applications;

- Taking 2.6 million disability applications;

- Taking 321,070 Supplemental Security Income-aged applications;

- Paying benefits to approximately 60 million individuals each month;

- Processing over 1 million periodic continuing disability reviews;

- Processing over 1.2 million Supplemental Security Income redeterminations to ensure continued eligibility;

- Processing 23 million status changes (e.g., address, direct deposit, relationships, work, etc.);

- Processing over 4.8 million benefit recomputations;

- Processing almost 1 million Medicare-subsidy applications;

- Making decisions on nearly 575,000 hearings; and

- Making decisions on more than 83,000 Appeals Council reviews.

The chart on the following page illustrates our current organizational structure. Our structure continues to change as we adjust to the growth of our core workloads, the addition of non-traditional workloads (including new elements of the Medicare program and immigration enforcement), increased complexity of our work, and an environment of limited resources.
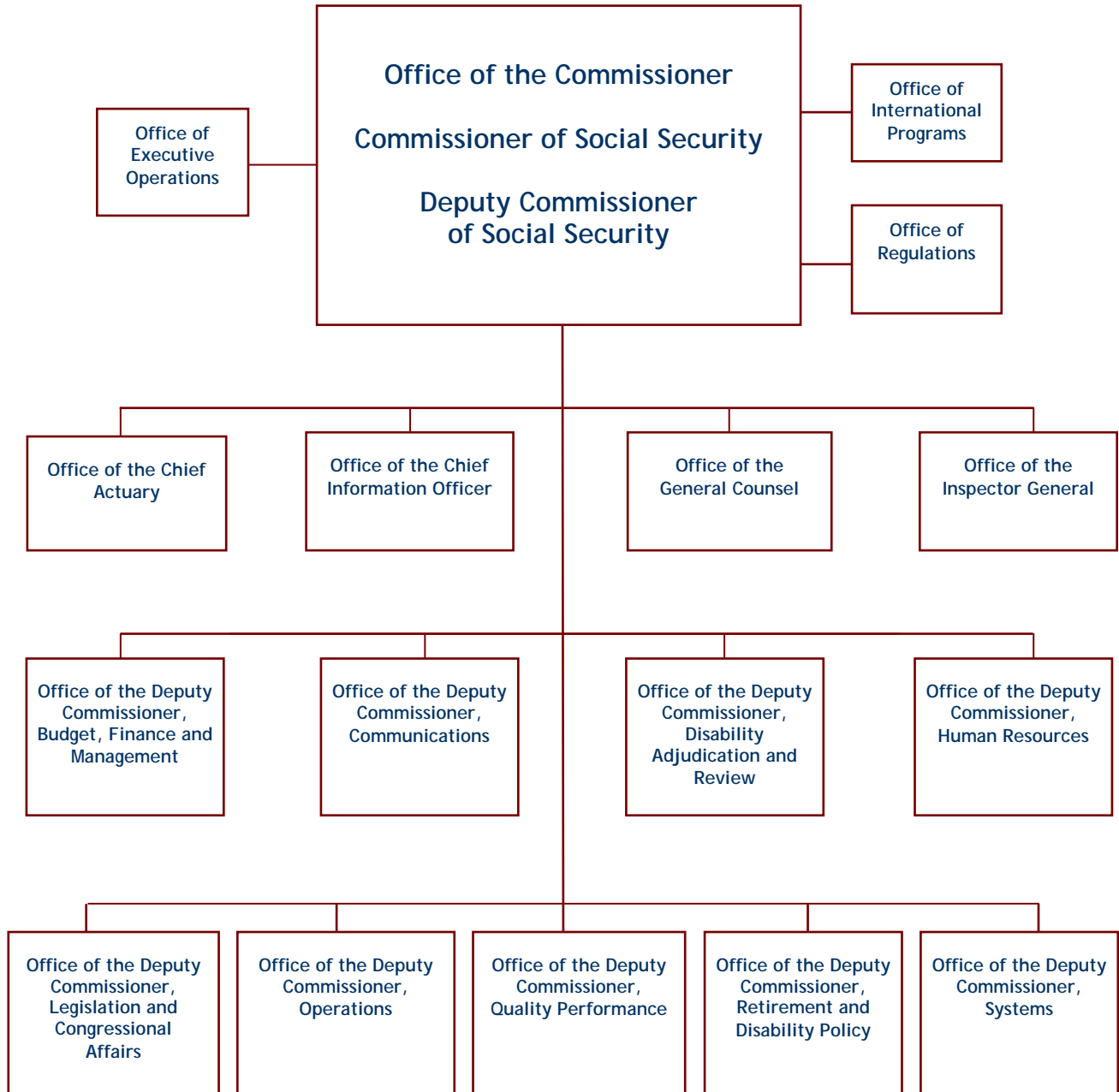

Our first local field office opened on October 14, 1936, in Austin, Texas.

The Candler Building is located on the waterfront in downtown Baltimore, Maryland. This building was home to our Division of Accounting Operations which issued the first Social Security Numbers and established earnings records for individuals covered by the Social Security program.

OUR ORGANIZATION CHART

	Office of the Commissioner	
Office of Executive Operations	**Commissioner of Social Security** **Deputy Commissioner of Social Security**	**Office of International Programs** **Office of Regulations**

Office of the Chief Actuary	Office of the Chief Information Officer	Office of the General Counsel	Office of the Inspector General

Office of the Deputy Commissioner, Budget, Finance and Management	Office of the Deputy Commissioner, Communications	Office of the Deputy Commissioner, Disability Adjudication and Review	Office of the Deputy Commissioner, Human Resources

Office of the Deputy Commissioner, Legislation and Congressional Affairs	Office of the Deputy Commissioner, Operations	Office of the Deputy Commissioner, Quality Performance	Office of the Deputy Commissioner, Retirement and Disability Policy	Office of the Deputy Commissioner, Systems

OVERVIEW OF OUR FY 2008 GOALS AND RESULTS

FY 2008 OVERVIEW OF PERFORMANCE

The 1993 *Government Performance and Results Act* requires all federal agencies to issue a 5-year *Strategic Plan* that includes a mission statement and outlines long-term goals, objectives; an *Annual Performance Plan* which provides annual performance commitments toward achieving the goals and objectives presented in the *Strategic Plan*; and an Annual Performance Report which we choose to include in the *Performance and Accountability Report* that evaluates the agency's progress toward achieving those performance commitments.

Although we issued a new *Agency Strategic Plan* on September 24, 2008 for FY 2008-2013, we based this *Performance and Accountability Report* on our *Strategic Plan* for FY 2006-2011. The primary purpose of this *Performance and Accountability Report* is to document the agency's accomplishments for the performance measures specified in our *Annual Performance Plan* for FY 2008.

We are committed to providing superior service to the American public despite increased workloads and constrained resources. One indication of our progress and commitment to meeting the needs of the millions of individuals we serve is that we met the goal for 18 out of 20 of our FY 2008 performance measures for which end-of-year data are available. Data for six of our remaining performance measures will not be available later in FY 2009. We will report our performance on these six measures in the *FY 2009 Performance and Accountability Report*.

The *Strategic Plan,* on which this performance report is based, focused on the following four strategic goals:

To deliver high-quality, citizen-centered service

Results: Met the goal for 11 of 16 measures (data unavailable for 3 measures)

Although the number of pending hearings increased in FY 2008, we processed over 16,000 more hearings than the FY 2008 goal. In the last half of FY 2007, we implemented a plan to eliminate the hearings backlog by FY 2013. The initial focus of the hearings backlog elimination plan has been on the oldest hearing requests that generally take more time to review. In FY 2008, we processed 575,380 hearings, including 99.8 percent of the hearings pending over 900 days old – 134,879 of 135,160 cases. As the old paper claims continue to be processed and electronic claims become standard, we expect to meet the hearings processed and pending goals in the future.

We continue to make significant progress in implementing new processes to enhance our ability to make accurate, consistent, and timely disability decisions. We processed more than 2.6 million initial disability claims during this fiscal year and met performance goals for initial disability claims processed and average processing time. With better systems and processes planned for the future, we expect to continue to improve disability claims service and our overall service rating.

We also faced the challenge of improving and increasing automation in order to optimize service while enhancing productivity. To address this challenge, we enhanced existing Internet applications to help meet increasing public demand for online services. These enhancements included usability improvements and additional automated customer service options and support for individuals filing online for retirement, disability, and spouses benefits. We also used speech technology and new self-help options to improve service on our National 800 Number.

To protect the integrity of Social Security programs through superior stewardship

Results: Met the goal for 5 of 8 measures (data unavailable for 3 measures)

While it is important that we improve automation and modernize our business processes to meet our service and performance goals, program integrity is a key stewardship responsibility. Program integrity workloads improve the accuracy of benefit payments, protect the integrity of the Trust Funds, and ensure taxpayer money is properly used. These program integrity efforts ensure that individuals receiving benefits continue to be eligible and are being paid the correct amount. Although we scaled back these workloads due to budget constraints over the last several years, in FY 2008 we received increased funding for our program integrity workloads. This allowed us to process more Supplemental Security Income non-disability redeterminations and continuing disability reviews. Each of these workloads are cost effective, returning more than $10 in lifetime program benefits for every $1 spent. Dedicated program integrity workload funding allowed us to process:

- Over 1.2 million Supplemental Security Income non-disability redeterminations to reduce improper payments; and

- Over 1 million continuing disability reviews to determine continuing entitlement to disability benefits.

In addition, in FY 2008 we:

- Issued more than 18 million original and replacement Social Security cards;

- Issued more than 148.6 million *Social Security Statements*; and

- Received an unqualified opinion from our auditors on our financial statements.

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

Results: Met the goal for this measure

We provided analytical and data support to the Administration and Congress on legislative proposals to address Social Security reform related to the solvency of the Trust Funds. In addition, at various forums, we continued to communicate to the public financing facts and information about our programs, as well as promoted information and services available on our Internet website. Additionally, we issued annual *Social Security Statements* to more than 148.6 million individuals eligible to receive the *Statement*.

The objectives of the *Social Security Statement* are to help individuals verify their earnings record; inform the public about Social Security programs; and assist in financial planning. To ensure that the *Statement* is meeting its objectives and providing value to the public, we have an ongoing *Statement* evaluation plan that includes focus group testing and formal surveys. During FY 2008, we conducted a national survey of recent recipients of the *Statement* to evaluate its effectiveness as a communications medium.

To strategically manage and align staff to support the mission of the agency

Results: Met the goal for this measure

We continue to be committed to outstanding service and continuous improvement. At the heart of that commitment are our dedicated, capable, and creative employees who provide a high level of service to the American people. The silver tsunami of baby boomers affects us not only in workloads, but also in our staffing as we face our own retirement wave. To address this, we performed a retirement wave analysis which is the catalyst for many human capital initiatives, including recruitment and leadership development programs. In FY 2008, we updated and released the *National Recruitment Guide* which provides information on recruitment strategies and techniques. This

guide will help us recruit and maintain a workforce with the knowledge, skills, and abilities necessary to safeguard operations and ensure that we provide quality service to the public. We also developed a *Recruitment Evaluation Plan* to measure various elements of our national recruitment strategy. We collected survey and personnel data throughout the fiscal year and are analyzing the findings to refine our strategies. As a result, we determined whether specific initiatives should be continued, strengthened, or eliminated to enhance our recruitment plan.

These four goals drive the objectives, outcomes, and performance measures listed in this *Performance and Accountability Report.* We developed these particular objectives, outcomes, and performance measures to support our mission and provide the framework for allocating resources.

PERFORMANCE SUMMARY OF GOALS AND RESULTS

The *Government Performance and Results Act* requires all federal agencies to create performance measures to support goals. The following tables provide an overview of our performance measures for FY 2008. We organized the measures by the goals and objectives they support, as specified in our *Strategic Plan for FY 2006 - FY 2011* and published in the *Annual Performance Plan for FY 2009 and Revised Final Plan for FY 2008.*

Key	
Target Achieved	⬆
Target Not Achieved	⬇
To Be Determined Final FY 2008 Not Available	TBD
PART – Denotes each of the agency's 10 Program Assessment Rating Tool (PART) performance measures which were also *Government Performance and Results Act* performance measures. (See page 34 for more information on PART)	

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

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

	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.1a	Percent of initial disability claims receipts processed by the Disability Determination Services up to the budgeted level[2]	100%	101%	⬆	45
1.1b PART	Minimize average processing time for initial disability claims to provide timely decisions	107 days	106 days	⬆	46
1.1c PART	Disability Determination Services net accuracy rate for combined initial disability allowances and denials	97%	Data available January 2009	TBD	47
1.1d	Achieve the budgeted goal for SSA hearings processed (at or above the FY 2008 goal)	559,000	575,380	⬆	48
1.1e	Maintain the number of SSA hearings pending (at or below the FY 2008 goal)	752,000	760,813	⬇	49
1.1f PART	Achieve target percentage of hearing level cases pending over 365 days	56%	37%	⬆	50
1.1g	Achieve target percentage of hearing level cases pending 900 days or more	Less than 1% of universe of over 900-day cases pending	0.2%	⬆	51
1.1h PART	Achieve the budgeted goal for average processing time for hearings	535 days	514 days	⬆	51
1.1i	Achieve the budgeted goal for average processing time for requests for review (appeals of hearing decisions)	242 days	238 days	⬆	52
1.1j	Decrease the number of pending requests for review (appeals of hearing decisions) over 365 days	28%	22%	⬆	53

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

	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.2a PART	Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets in use, who work	Establish a new baseline	Data available July 2009	TBD	53
1.2b	Number of quarters of work earned by Disability Insurance and Supplemental Security Income disabled beneficiaries during the calendar year	Establish a baseline	Data available July 2009	TBD	55

---

[2] The budgeted level is 2,582,000 for FY 2008.

Strategic Objective 1.3: Improve service through technology, focusing on accuracy, security, and efficiency

	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
1.3a PART	Percent of Retirement and Survivors Insurance claims receipts processed up to the budgeted level[3]	100%	101%	⬆	55
1.3b	Improve service to the public by optimizing the speed in answering 800-number calls	330 seconds	326 seconds	⬆	56
1.3c	Improve service to the public by optimizing the 800-number busy rate for calls offered to Agents	10%	10%	⬆	57
1.3d PART	Percent of individuals who do business with SSA rating the overall service as "excellent," "very good," or "good"	83%	81%	⬇	58

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

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

	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.1a	Process Supplemental Security Income (SSI) non-disability redeterminations to reduce improper payments	1,200,000	1,220,664	⬆	59
2.1b	Number of periodic continuing disability reviews processed to determine continuing entitlement based on disability to help ensure payment accuracy	1,065,000	1,091,303	⬆	60
2.1c PART	Percent of Supplemental Security Income payments free of overpayment and underpayment error	96% O/P 98.8% U/P	Data available July 2009	TBD	61
2.1d PART	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error	99.8% O/P 99.8% U/P	Data available July 2009	TBD	63

[3] The budgeted level is 4,065,000 for FY 2008.

Strategic Objective 2.2: Strengthen the integrity of the Social Security Number (SSN) issuance process to help prevent misuse and fraud of the SSN and card					
	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.2a	Percent of original Social Security Numbers issued that are free of critical error	95%	Data available March 2009	TBD	65
2.2b	Percent of Social Security Number receipts processed up to the budgeted level[4]	96%	96%	⬆	66

Strategic Objective 2.3: Ensure the accuracy of earnings records so that eligible individuals can receive the proper benefits due them					
	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.3a PART	Issue annual SSA-initiated Social Security Statements to eligible individuals age 25 and older	100%	100%	⬆	67

Strategic Objective 2.4: Manage Agency finances and assets to link resources effectively to performance outcomes					
	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
2.4a	Receive an unqualified opinion on SSA's financial statements from the auditors	Receive an unqualified opinion	Received an Unqualified Opinion	⬆	68

Strategic Goal 3: *To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations*					
Strategic Objective 3.1: Through education and research efforts, support reforms to ensure sustainable solvency and more responsive retirement and disability programs					
	Performance Indicator	FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
3.1a	Provide support to the Administration and Congress in developing legislative proposals and implementing reforms to achieve sustainable solvency for Social Security	Conduct analysis for the Administration and Congress on key issues related to implementing Social Security reforms	Completed	⬆	69

---

[4] The budgeted level for FY 2008 was 19,000,000. We received 18,804,959 requests (less than the budgeted level). As such, 96 percent of the actual number received is 18,052,761. We processed 18,114,400 requests, thereby meeting this goal.

Strategic Goal 4: *To strategically manage and align staff to support the mission of the Agency*					
Strategic Objective 4: Recruit, develop and retain a high-performing workforce					
Performance Indicator		FY 2008 Goal	FY 2008 Actual	Goal Achieved?	See Page #
4.1a	Enhance SSA's recruitment program to support future workforce needs	Implement the recruitment evaluation, including collecting initial baseline data and develop an evaluation report	Completed	⬆	70

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

- Our *Strategic Plan FY 2006 – FY 2011* can be found at:
  http://www.socialsecurity.gov/strategicplan.html.

- Our *Strategic Plan FY 2008 – FY 2013* can be found at:
  http://www.ssa.gov/asp/.

- Our *FY 2009 Annual Performance Plan/Revised Final FY 2008 Annual Performance Plan* can be found at:
  http://www.socialsecurity.gov/performance/.

For a paper copy of either our *Strategic Plan* or *Annual Performance Plan*, write to:

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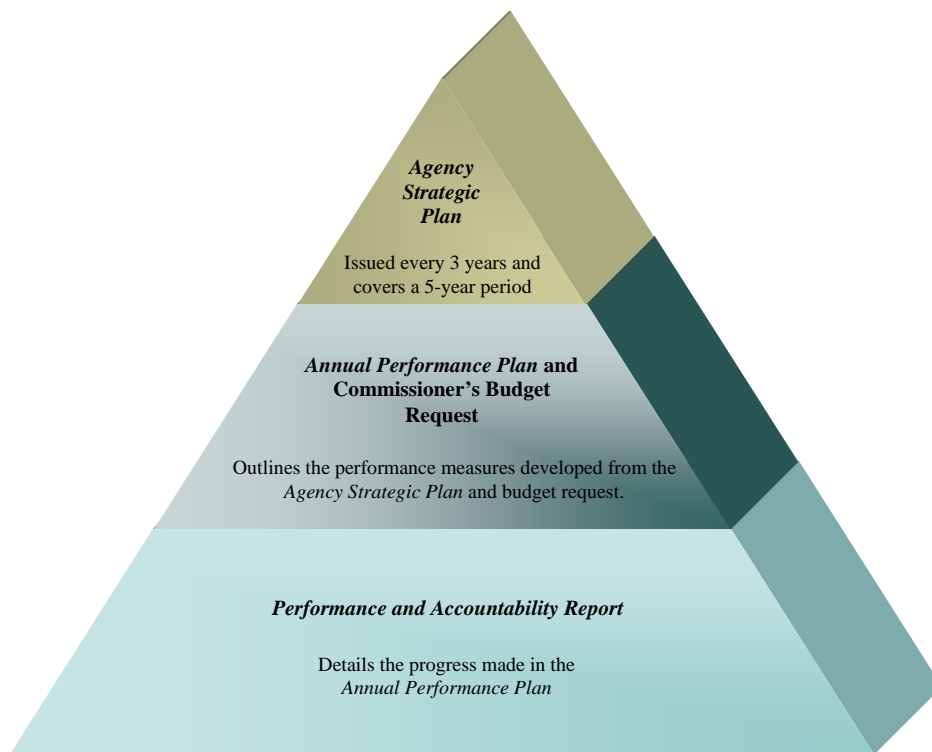6401 Security Boulevard
Baltimore, MD 21235

BUDGET AND PERFORMANCE INTEGRATION

One of five government-wide management projects, the Budget and Performance Integration Initiative, builds on the *Government Performance and Results Act* and earlier efforts to identify program goals and performance measures and link them to the budget process. This initiative aims to place greater focus on performance and has two goals:

- To use performance information in budgeting; and

- To improve program performance and efficiency.

We developed our *Annual Performance Plan* in tandem with the agency's budget. We determine our annual performance targets based on our expected performance improvements and our expected funding levels for the year. We closely monitor our progress towards these targets as the year progresses and as necessary, make adjustments in allocating our resources.

Our accounting and cost analysis systems track the administrative costs of our programs by workload, as well as employee production rates. These systems provide integrated financial and performance information to managers at all levels. We emphasize to managers the connection between resources and results. Our executives meet on an ongoing basis to review and discuss performance measures and to allocate resources based on performance and projected workloads.

Agency Strategic Plan

Issued every 3 years and covers a 5-year period

Annual Performance Plan **and Commissioner's Budget Request**

Outlines the performance measures developed from the *Agency Strategic Plan* and budget request.

Performance and Accountability Report

Details the progress made in the *Annual Performance Plan*

DATA QUALITY

Social Security is committed to providing clear, reliable data for managerial decision-making and oversight. We strive to ensure that our data is quantifiable and verifiable. We have internal controls in place to provide reasonable assurance that these objectives are met. These controls include ongoing data quality reviews, as well as audit trails, reviews at all levels of management, restricted access to sensitive data, and separation of job responsibilities. Our controls assure that data in this report contain no material inadequacies and support the Commissioner's *Federal Managers' Financial Integrity Act Assurance Statement*. Refer to the *Systems and Controls* section on page 39 for more information about the *Federal Manager's Financial Integrity Act.*

SOCIAL SECURITY DATA INTEGRITY SYSTEMS AND CONTROLS

We generate data for quantifiable performance measures using automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or higher. We also perform stewardship reviews on the accuracy of Old-Age, Survivors, and Disability Insurance and Supplemental Security Income payments. These reviews are the primary measure of quality for agency performance and provide an overall payment accuracy rate. We derive each review from a sample of records of individuals currently receiving monthly Social Security benefits or Supplemental Security Income payments. For each sampled record, we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility.

Furthermore, we use an evaluation process known as *Transaction Accuracy Reviews* to provide quality feedback on recently processed Old-Age, Survivors, and Disability Insurance and Supplemental Security Income applications, as well as Supplemental Security Income redeterminations (a review of individuals' non-disability eligibility factors to determine whether they continue to be eligible and are receiving the correct Supplemental Security Income payment amount). In FY 2008, we selected approximately 17,000 cases (8,500 from each program) for a *Transaction Accuracy Review*. These reviews focused on our processing procedures, and the results of these reviews provided national and regional data on the quality of the application process. In addition, we conducted field assistance visits to identify areas where we could improve our work processes. In an effort to improve accuracy and efficiency, we analyzed the data to determine the causes for deficiencies and issued mid-year and annual reports of our findings. These reports provided timely feedback to our employees and included recommendations on how to prevent errors in the future.

AUDIT OF OUR FY 2008 FINANCIAL STATEMENTS

The *Chief Financial Officer's Act of 1990* requires our Office of the Inspector General, or an independent external auditor that it selects, to audit our financial statements. In compliance, the Office of the Inspector General selected PricewaterhouseCoopers, LLP to conduct the FY 2008 audit. The audit concluded the financial statements present fairly, in all material respects, the financial position of the Social Security Administration. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We provide the PricewaterhouseCoopers, LLP audit report in the *Auditor's Reports Section* beginning on page 143.

ROLE OF OUR OFFICE OF THE INSPECTOR GENERAL

Our Office of the Inspector General has a key role in auditing performance measure data systems to verify the validity and reliability of performance, budgeting, and financial data. The objectives of the audits are to:

- Assess and test our internal controls of the development and reporting of performance data for selected annual performance measures;

- Assess and test the application controls related to the performance measures;

- Assess the overall reliability of the performance measures' computer processed data;

- Test the accuracy of results presented and disclosed in the *Performance and Accountability Report*;

- Assess the meaningfulness of the performance measures; and

- Report the results of the testing to Congress and agency management.

While the Office of the Inspector General did not initiate any performance measure audits in FY 2008, it did complete four audits that it initiated in FY 2007. For more details on audit findings and information on how the Office of the Inspector General conducted the audits, refer to the *Inspector General's Statement on SSA's Major Management Challenges*, page 150.

AGENCY PRIORITIES AS WE MOVE FORWARD

OUR NEW DIRECTION

This *Performance and Accountability Report* focuses on our many accomplishments in FY 2008 in working towards our established goals. FY 2008 was a pivotal year during which we formulated our strategy to address the challenges and priorities we will face over the next 5 years. On September 24, 2008, our Commissioner issued his first strategic plan – *Agency Strategic Plan for 2008 – 2013*. This plan is the agency's roadmap to address the major challenges ahead. It charts our course to maintain a high level of performance on core workloads and improving our service to the public. It lays out our four goals:

- Eliminate our hearings backlog and prevent its recurrence;
- Improve the speed and quality of our disability process;
- Improve our retiree and other core services; and
- Preserve the public's trust in our programs.

The success of our strategic plan depends on two key foundational elements – our employees and information technology. With 80 million baby boomers filing for benefits over the next 20 years, our ability to provide our core services will be stressed. Significant investment in our employees and new technology will be critical to achieve our ambitious goals.

Below we discuss the major priorities facing the agency and the corresponding current and future actions we plan in response to these challenges.

Eliminate Our Hearings Backlog and Prevent Its Recurrence

Eliminating the disability hearings backlog is not only our highest priority, it is a moral imperative. Many individuals face extraordinarily long wait times for the outcome of their appeals. Long waits cause extreme hardships for disabled individuals and their families as they cope with the loss of income and medical insurance. At the end of FY 2008, over 760,000 individuals were waiting for a hearing. Despite progress in the past year, on average an individual waits over 500 days to receive a decision. The backlog growth in this decade resulted primarily from limited overall agency resource constraints, combined with an increased demand for services as baby boomers reach their most disability-prone years. We have taken a number of important steps to better manage this workload. We implemented several initiatives to increase our capacity to hear and decide cases and to improve our workload management practices. Below we summarize our progress on these initiatives as well as describe initiatives we will be implementing.

Increase Our Capacity to Hear and Decide Cases

Eliminate Hearings Pending 900 or More Days: In FY 2007, we eliminated 99 percent of the hearing requests that would have been pending 1,000 days or more. In FY 2008, we concentrated on processing the 135,160 hearing requests that were or would be pending for 900 or more days by the end of the fiscal year. We processed 134,879 of these cases, 99.8 percent, and only 281 remained at the end of FY 2008. We continue to reduce the age of this pending workload incrementally, and we will target cases pending over 850 days in FY 2009.

Increase Number of Administrative Law Judges (ALJs): A key element in eliminating our hearings backlog is hiring additional ALJs to increase our capacity to hear and decide cases. With the additional funding that Congress appropriated in FY 2008, we hired 190 additional ALJs. These new ALJs experience a learning curve of about 9 months, and we anticipate they will reach full productivity in early FY 2009. We also hired additional hearing office support staff, which performs many critical functions in the hearings process. Additionally, for the first time, we established individual annual expectations for ALJs, asking each ALJ to issue 500 to 700 hearing decisions each year. By FY 2010, we will have increased the size of our ALJ cadre to 1,250, an increase of 15 percent from our FY 2007 low of 1,082 ALJs.

Open National Hearing Centers: In early 2008, we opened our first fully electronic National Hearing Center in Falls Church, VA. The National Hearing Center allows us to capitalize on new technologies, such as electronic disability folders and video hearings. It also gives us flexibility to better address our hearings backlog and swiftly target assistance to heavily backlogged areas across the country. We will open new National Hearing Centers in Albuquerque, NM and Chicago, IL in FY 2009.

Provide Additional Video Hearing Equipment: ALJs often travel to remote locations to conduct hearings. Using video hearing technology minimizes travel to hearing sites for ALJs, but most especially for individuals and their representatives. For example, in remote areas, this secure technology enables individuals to attend video hearings rather than travel long distances to hearing sites. Additionally, video hearings reduce administrative costs and increase our capacity to process hearings. In FY 2008, we accelerated our installation of video hearing equipment. We are looking to further expand our use of video capabilities by testing desktop video units. These units are essentially small flat screen televisions that enable ALJs to conduct hearings in their offices. We are currently evaluating the results of our testing and anticipate further expansion of this technology in FY 2009 and beyond.

Improve Our Workload Management Practices Throughout The Hearings Process

Realign Our Hearing Service Areas: Each hearing office has a designated geographic service area. Cases for individuals who file appeals are assigned to the office servicing the area where they live. As a result, over time, some offices have more appeals pending than others, which results in significant case load and processing time disparities between offices. To address this, we realigned some of our hearing offices' service areas in FY 2008 and plan to add new hearing offices in locations where we cannot efficiently handle the pending caseload through other means. We continue to analyze workload distributions to determine if further adjustments are needed.

Increase Automation: Technology is instrumental to improving the hearings process. Automation enhancements will make the process more efficient and increase productivity. We are developing the following initiatives to automate select tasks and functions in the hearings process:

> *ePulling:* ePulling is an initiative to sort documents using customized software. We began piloting the software in the Tupelo, MS hearing office and have expanded the pilot to the Mobile, AL; St. Louis, MO; Minneapolis, MN; and Richmond, VA hearing offices, as well as to the National Hearing Center in Falls Church, VA. Initial feedback is positive. In FY 2009, we will continue to pilot the software and plan for nationwide incremental rollout.

> *eScheduling:* In FY 2008, we began the planning and analysis for developing a means to electronically schedule hearings. We conducted market research to identify vendors who could assist us in implementing eScheduling. We also have developed our business requirements and plan to develop the software and begin testing it in pilot hearing offices in FY 2009.

> *Electronic Records Express Website:* Medical providers, attorneys, and other third parties may submit medical records to us in an electronic format via a secure *Electronic Records Express* website. We are enhancing the website to permit registered representatives, such as attorneys and representative payees, to securely view and download the contents of electronic folders. We began testing an enhanced

Electronic Records Express website in FY 2008 and will continue to test and refine this website as we gain more experience with it.

Centralized Printing and Mailing: We implemented centralized high-speed, high-volume printing for the millions of notices that hearing offices mail annually. We began limited testing in four hearing offices and we expanded this process to 31 additional hearing offices before rolling it out nationwide in FY 2008. From February through September 2008, we sent 324,335 notices via centralized printing and mailing and expect the volume to increase significantly in FY 2009.

Establish Standardized Electronic Hearings Business Processes: The purpose of this initiative is to develop the most efficient and effective electronic processes which would then become the standard for all hearing offices. These processes will ensure we handle requests for hearings consistently within each office; reduce operating expenses; incorporate future technological advancements; reduce the time individuals wait to receive hearing decisions; improve the timeliness of our case-related activities; ensure the legal sufficiency of our decisions; and help us determine the ideal ratio of staff needed to support an Administrative Law Judge. In FY 2008, a review team visited numerous hearing offices to identify best practices and to solicit from the staff any concerns about and suggestions on the electronic processing of hearing requests. We drafted a proposed business process that outlines the most effective, efficient, and consistent case processing methods. We also piloted the draft business process in two hearing offices - one in Downey, CA and the other in Grand Rapids, MI. We are obtaining input from all hearings stakeholders, and based on their feedback, we will revise the proposed business process as necessary. In FY 2009, we plan to pilot the revised process in each of our ten regions.

Improve The Speed and Quality of Our Disability Process

We are responsible for the Nation's two primary federal disability programs: Social Security Disability Insurance and Supplemental Security Income. The number of individuals filing for disability benefits has increased significantly over the last 5 years. Furthermore, we expect the number to grow even more rapidly as more baby boomers reach their most disability-prone years. To address growing disability workloads, we must increase productivity without sacrificing quality. We have and will continue to evaluate our disability process and make necessary changes to streamline and update the program. Below we discuss our efforts to advance this goal.

Fast-Track Cases That Obviously Meet Our Disability Standards

Expand Quick Disability Determinations (QDD): We developed computer software that identifies cases where the disability determination is highly likely to be favorable and can be processed quickly. The software evaluates the disability alleged as well as treatment information to determine if the medical evidence is readily available and if the individual has a clearly substantiated disabling condition. If the claim meets these criteria, it is identified as a QDD case. Many QDD cases involve low birth-weight babies, cancer, and end-stage renal disease. In FY 2008, we phased in QDD nationwide and processed more than 44,000 QDD claims with an average processing time of 8 days. We continue to review the QDD selection criteria to enhance our computer software and maximize our capacity to accurately identify these cases.

Implement Compassionate Allowances: Compassionate Allowances are a way of quickly identifying diseases and other medical conditions that clearly meet our definition of disability, including acute leukemia, pancreatic cancer, and amyotrophic lateral sclerosis (more frequently referred to as Lou Gehrig's disease). We will allow many of these claims based on confirmation of the diagnosis alone. We held two public hearings on Compassionate Allowances over the last year. The first was on rare diseases and the second was on cancers. We have scheduled a third public hearing on brain injuries for November 2008. Based on the results of these hearings, we will determine the best course of action to implement Compassionate Allowances. We plan to roll out this initiative in three phases. The first was scheduled in October 2008, with phases two and three occurring in 2009.

Make It Easier and Faster to File for Disability Benefits Online

Rollout _Disability Direct_: Over the next 10 years, it is projected that initial disability claims will grow by 10 percent. To address this workload growth, we will implement _Disability Direct_, a new initiative that will make it more convenient for individuals and their representatives to file for disability benefits from the comfort and convenience of their home or office. It will also help fulfill the public's rapidly growing expectation for convenient, effective, and secure electronic service delivery options. There are three main components to _Disability Direct_:

- A simplified online application process for individuals filing for disability benefits. This new application will eliminate or simplify questions on the current application and include links, prompts, and other tools to assist users;

- A comprehensive online package of services for representatives who help individuals file for disability benefits; and

- A direct information exchange between Social Security and medical service providers or third parties who provide information on behalf of individuals filing for disability benefits.

We anticipate rolling out components of _Disability Direct_ in FY 2009.

Regularly Update Our Disability Policy and Procedures

Update the _Listings of Impairments_: The _Listings_ (http://ssa.gov/disability/professionals/bluebook/listing-impairments.htm) describe for each major body system the impairments considered severe enough to prevent an individual from working, or for children, impairments that cause marked and severe functional limitations. We have started the process of updating the _Listings_ on a regular basis and have a schedule to ensure we update all of them at least once every 5 years. In FY 2008, we published final regulations for 2 of the 14 body systems. We expect to have final regulations on all major body systems in 2009.

Develop an Occupational Information System: We need information about work that exists throughout the Nation to determine whether impairments prevent individuals from doing not only their past work but any other work in the national economy. We currently use the Department of Labor's _Dictionary of Occupational Titles_ (DOT) to identify and describe work performed in the United States. However, the Department of Labor has not updated the DOT since 1991 and has no plans to do so. We are exploring tools to update, on an interim basis, the type of information currently in the DOT. In addition, we are developing a long-term strategy to replace the DOT with updated definitions and objective measures of the requirements of work.

Simplify Work Incentive Programs: One of our highest priorities is to assist and support disabled individuals who want to return to work. To help them reach their employment goals, we administer a variety of work incentives and employment support programs, as well as conduct demonstration projects. We also maintain a page on our website devoted solely to return-to-work planning and assistance (see http://www.socialsecurity.gov/redbook/eng/planning-assistance.htm).

We recently issued final rules designed to improve this program based on our experience and input from interested parties. Although individuals with disabilities will have greater flexibility in obtaining the services they need to achieve their employment goals, we are concerned that these improvements will fall short of Congressional expectations. We will monitor the results of this recent regulation and, as necessary, revisit the statute to ensure we achieve the goals Congress intended.

We will also continue to conduct research and demonstration projects to study ways to improve our services, tie objective medical data to functionality, and address the varied needs of individuals with disabilities. We will also collaborate with Congress to reauthorize our critically important demonstration authority. We provide detailed discussions for all of our demonstration projects at http://www.socialsecurity.gov/disabilityresearch/demos.htm.

Develop and Implement a Disability Determination Services Common Case Processing System: We share responsibility with our 54 state and territorial partners, the Disability Determination Services, to determine eligibility for disability benefits. Since each has its own unique disability case processing system, virtually any time we make a change that affects the Disability Determination Services' systems we must modify each of the 54 customized systems individually. After a year of consultation and research with the Disability Determination Services, we plan, with their continued support, to develop and implement a common Disability Case Processing System. This common system will: unify case processing systems; provide a robust application to support timely national implementation of process and policy changes; and position us to leverage the changes in Health Information Technology. It will also incorporate additional functionality, such as decision support tools, improved quality checks, high availability, and improved management information.

Adapt Our Systems to Health Information Technology: In partnership with other agencies, health care providers, and insurers, we will collaborate to create a standardized electronic format for all participants to store and transmit medical records. We will also collaborate to establish uniform diagnostic codes and medical report formats that will allow us to not only identify disabling conditions more quickly and automatically, but also to search our vast database of medical records to track trends in disability cases and design more objective methods to identify disabling conditions.

In FY 2008, as an initial step into the Health Information Technology initiative, we began testing an automated process to request and receive medical data from a Boston hospital. Under this process, when an individual who is being treated at that hospital applies for disability benefits, our system will automatically send out a medical records request to the hospital. Almost immediately, the hospital will electronically transmit back to us the individual's medical records. Our early receipt of this evidence will speed up our process and permit us to start evaluating the alleged disability right away. This collaboration also will test decision support tools that interpret medical data and recommend actions for the decision-maker's consideration.

Improve Our Retiree and Other Core Services

The public expects secure, convenient, and easy-to-use electronic services as they become more comfortable conducting business electronically, both via the Internet and telephone. With millions of baby boomers becoming eligible for Social Security benefits over the next 20 years, we need to further enhance and expand service options to handle the unprecedented growth in demand for our traditional services. One of our priorities is to increase our electronic services by making optimal use of technology. With more electronic services we can increase the speed, accuracy, and efficiency of our operations as well as provide the public with more service choices. To achieve the goal of complementing our traditional services, we will focus on the following objectives.

Dramatically Increase Baby Boomers' Use of Our Online Retirement Services

Introduce *Ready Retirement*: *Ready Retirement*, a transformational initiative that we will introduce in FY 2009, will fully streamline the processing of retirement applications and enhance customer service using technology by:

- Simplifying the filing process for retirement benefits;

- Shortening online filing time by half an hour (from an average of 45 minutes to only 15 minutes);

- Asking only those essential questions to which we do not have the answers in one of our systems or databases; and

- Using prompts, streaming video and other techniques to make the online experience easier, faster, and more user-friendly.

We streamlined policy requirements to simplify the verification process such as having individuals submit evidence of age or citizenship unless their allegations and the information in our records differ. This eliminates the need for most individuals to visit their local field offices to provide a copy of their birth certificate. We also eliminated the need for documentation of any marriages that are not material to individuals' entitlement.

Provide Internet Tools to Plan for Retirement: Individuals need the ability to obtain convenient and accurate retirement information via the Internet. In July 2008, we launched our new online *Retirement Estimator*. This secure and interactive tool not only provides immediate, highly accurate, and personalized benefit estimates online, it also allows users to compare different retirement options. The *Retirement Estimator* is an invaluable tool to help the public plan and save for their retirement. We will continue to refine and enhance our *Retirement Estimator* based on feedback from users.

Provide Individuals with Accurate, Clear, Up-To-Date Information

Improve Notices: In FY 2008, we established a notice improvement office to assess and improve our notices. Notice correspondence is our most common form of service delivery. As such, it is critical that notices are clear, concise, and easily understood so individuals do not need to call or visit us to clarify the information in the notice. Since we issue 350 million notices annually, this initiative will remain a priority for us over the long term.

Provide Claim Status via the Internet: We will develop a means for individuals to follow the progress of their applications using the Internet. This service should significantly reduce the two million calls we receive annually from individuals requesting the status of their claims.

Explore Online Access to Social Security Information: We will explore the feasibility of providing individuals with secure online access to their personal Social Security information. This would enable individuals to access earnings history, direct deposit data, Social Security benefit payment history, and Medicare entitlement and premium information directly from our records. We will work closely with our privacy and authentication experts as we explore the feasibility of this online feature.

Improve Our Telephone Service

To meet future demands for telephone service, we need to replace our aging field office telephone equipment with more advanced technology. We will accomplish this by implementing Voice over Internet Protocol, more commonly referred to as VoIP. This technology provides both callers and our employees more choices when conducting business by telephone. It will support our website visitors by providing a "click-to-talk" option to enable individuals to interact with our telephone agents while conducting business with us online. VoIP will also help us manage our phone workloads. For example, if an office experiences a spike in call volumes, we will be able to redirect calls to a second site. We have already begun transitioning the first field office locations to VoIP and expect to complete the rollout to all offices by 2012. We also plan to replace our National 800 Number infrastructure with VoIP in 2010.

Improve Service for Individuals Who Visit Field Offices

Pilot Visitor Intake Process Touch Screen Kiosks: We will pilot the use of kiosks in field office reception areas to provide a modern, fast, and user-friendly way for the public to register the reason for their visit so we can direct them to the appropriate representative while protecting their privacy. The kiosks will incorporate touch screen technology similar to airport kiosks that many airline travelers use.

Test Social Security TV: We are testing an internal TV system in the reception areas of 17 field offices. The high-definition TVs, using up-to-date graphics, broadcast Social Security, local weather, and traffic information to individuals in our reception areas. While visitors wait, they can watch the TV providing them with general Social Security information, as well as specific information on documents/proofs needed to obtain an original or replacement Social Security card. We can modify programs to adapt to specific locations, types of service, and language needs. We conducted surveys to gather input from visitors and managers in the pilot field offices and expect to have the results compiled by the end of 2008. In FY 2009, we will improve messages and the visual displays, and based on survey results, we will decide whether to expand this service to additional field offices.

Use of Personal Computers in Reception Areas: We are testing the placement of personal computers in 15 field office reception areas. Visitors will use the computers to connect to our website, and with our support, use our online services to complete their business. We plan to expand this pilot to 42 additional sites to gain additional insight into this service before making a decision on further expansion.

Improve Field Office Reception Areas: Survey results show that the public wants a comfortable and pleasant reception area. To address this, we are making adjustments in field office reception areas, such as new layouts, seating, privacy, signage, and other small, but important, enhancements to make visiting a field office a better experience.

Expand Video Conferencing: We will continue to expand the use of video conferencing to serve individuals in rural areas. Video conferencing offers individuals a convenient, secure, and low cost option for obtaining a full range of services equivalent to face-to-face services. In FY 2008, we tested video conferencing in the Denver Region. In FY 2009, we will pilot video conferencing in 21 sites nationwide. Video conferencing will allow us to serve individuals efficiently while saving costs.

Process Our Social Security Number Workloads More Effectively and Efficiently

Strengthen Our Modernized Enumeration System: We refer to the process of assigning and issuing Social Security Numbers as enumeration. We are in the process of a major overhaul of our system that will allow us to handle increased enumeration workloads more efficiently. Our plans include assessing the feasibility of building an online application for individuals to request replacement Social Security cards. We are also looking at opportunities to use telephone and video alternatives for assigning and issuing Social Security Numbers.

Open Social Security Card Centers: Social Security Card Centers are facilities with trained, specialized staff who handle only Social Security Number-related business. In March 2008, we opened our sixth card center. The card center is located in Orlando, FL. Residents in designated zip codes must go to this card center to transact all Social Security Number-related business. We are opening another Social Security Card Center in November 2008 in Sacramento, CA, and plan to open an additional four centers in 2009.

Encourage Use of the Social Security Number Verification Service: The Social Security Number Verification Service allows employers to determine, almost instantaneously, if the reported name and Social Security Number of an employee matches our records. The service, however, does not verify work eligibility. We will continue to encourage employers to use this free, Internet-based service which will help minimize fraud, reduce Social Security Number misuse and identity theft, and ensure the accuracy of earnings records.

Support E-Verify: E-Verify is a voluntary program administered by the Department of Homeland Security that allows participating employers to verify electronically the employment eligibility of newly hired employees. When FY 2008 ended, more than 88,000 employers participated in E-Verify. We support the E-Verify program and continue to work with the Department of Homeland Security to improve the operation of the current system in order to make it more efficient for employers. For more information about E-Verify, see www.dhs.gov/E-Verify.

Expand Enumeration-at-Entry: Enumeration-at-Entry allows certain non-citizens who enter the United States to apply for a Social Security Number with the Department of State at the same time that they apply for a visa. We are working with the Department of State and the Department of Homeland Security to expand this process so more non-citizens may take advantage of this service.

Implement Use of Auto Cards: Changes in alien and citizenship status frequently require a replacement Social Security card with a different legend or name. When the Department of Homeland Security notifies us of these changes, we will automatically and securely update our records and send a replacement card directly to the individual. We are part of an interagency workgroup to begin the planning and analysis for using Auto Cards in three specific situations: 1) when a non-U.S. citizen is first authorized to work; 2) when a non-U.S. citizen changes status to a legal permanent resident; and 3) when an individual becomes a naturalized citizen.

Preserve the Public's Trust in Our Programs

Individuals who contribute to the Social Security Trust Funds through payroll deductions and self-employment taxes, or pay income taxes, must be confident we manage their tax dollars wisely. Likewise, those receiving Social Security or Supplemental Security Income must be sure we pay their benefits timely and accurately. As stewards, we are obligated to maintain the confidentiality and security of all information entrusted to our care. Taxpayers and members of the public want assurances that we are carrying out these obligations and that we run our operations efficiently and wisely. We have earned the public's trust, and we intend to do everything we can to keep it. The following sections outline our plans to retain public trust in the integrity of our programs.

Curb Improper Payments

With timely and adequate funding, we will increase our program integrity workloads. We will conduct more continuing disability reviews and Supplemental Security Income non-disability redeterminations. These reviews, which are very cost effective, allow us to detect and prevent improper payments and determine if factors affecting eligibility or monthly benefit amounts have changed. For example, our experience shows that continuing disability reviews and redeterminations produce program savings far in excess of administrative costs, because every $1 spent on these reviews produces a $10 return.

Ensure Privacy and Security of Personal Information

To continue safeguarding the privacy of the personally identifiable information maintained in our records, we will improve our encryption practices for data moving outside our facilities and networks, strictly control access to systems containing such information, and train employees and contractors and hold them accountable for safeguarding this information. We will also conduct rigorous annual security reviews of systems and programs and ensure our data exchange activities adhere to *National Institute of Standards and Technology* requirements.

Maintain Accurate Earnings Records

Each year, we process and post nearly 270 million reports of earnings to individuals' records. However, our aging earnings system will be unable to keep up with increasing volumes. To address this, we will redesign our earnings system to provide greater flexibility along with the improved accuracy and timeliness necessary to process this ever-growing workload. The *Earnings – The Next Generation* initiative will improve the speed and accuracy of wage reporting, improve our internal handling of wage reports, and significantly reduce both internal and external paper processing. We will also continue to issue annual *Social Security Statements* to eligible individuals age 25 and older so they may review their earnings record for accuracy and completeness.

Simplify and Streamline How We Do Our Work

While we continue to improve productivity year after year, productivity improvements alone cannot overcome the workload challenges we face. Our processes, policies, and regulatory and statutory requirements are oftentimes complicated and difficult to explain to the public, and years of legislation and litigation have made our requirements even more complex. We will establish a broad-based effort to analyze our workloads, simplify how we do our work, ensure consistency in our service, and improve our process flow and speed. We will also work with Congress and all stakeholders to simplify our statutory and regulatory requirements.

Protect Our Programs from Waste, Fraud, and Abuse

Social Security programs are a tempting target for fraud and abuse because of the value of monthly payments and the additional benefits of entitlement to such programs as Medicaid, Medicare, and the Supplemental Nutrition Assistance Program. Cases of fraud receive wide publicity and can diminish the public's confidence in our programs. A strong fraud detection and prevention program is critical to deterring those contemplating fraudulent activities and to demonstrating that we take fraud seriously. Through an ongoing partnership with our Office of the Inspector General, we have worked to reduce the instances of fraud and have vigorously pursued the prosecution of individuals and groups who commit fraud.

Also in partnership with our Office of the Inspector General, we will continue to expand our Cooperative Disability Investigations program, one of our most successful anti-fraud initiatives. Our Cooperative Disability Investigation units, located in 17 states, investigate allegations of fraud and abuse related to the disability program. As funding allows, we will continue to expand these units.

Use "Green" Solutions to Improve Our Environment

We have a responsibility to conduct business in an efficient, economical, and environmentally sound manner. "Going green" benefits the environment and saves taxpayer dollars by minimizing waste and reducing energy consumption. For years, we have implemented projects benefiting the environment such as recycling and powering our vehicles with alternative fuels. We will continue our tradition of "going green" in ways such as reduced petroleum and water consumption, and we will build or renovate our facilities in accordance with environmentally sustainable strategies.

THE PRESIDENT'S MANAGEMENT AGENDA

The *President's Management Agenda* is the President's strategy for improving the management and performance of the federal government with a focus on results. The Agenda contains five government-wide initiatives. The Office of Management and Budget releases a quarterly scorecard that rates agencies' progress and overall status on these five initiatives using a color-coded grading scale: ●Green for success, ●Yellow for mixed results, and ●Red for unsatisfactory. Our FY 2008 Fourth Quarter Scorecard results are shown below:

● Progress	Strategic Management of Human Capital	Status ●
Recruit, develop, and retain a skilled, knowledgeable, diverse, and high-performing workforce that is achieving desired results aligned to the agency's mission and strategic objectives.		
● Progress	Commercial Services Management	Status ●
Improve the performance of commercial activities, either through competition or through appropriate business process reengineering, including initiatives to create high performing organizations.		
● Progress	Performance Improvement Initiative	Status ●
Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is better control of resources and greater accountability over results.		
● Progress	Expanded Electronic Government	Status ●
Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation) so that Americans can receive high-quality government service.		
● Progress	Improved Financial Performance	Status ●
Maintain world-class financial services that support strategic decision-making, mission performance, and improved accountability to the American people.		

The *President's Management Agenda* also contains agency-specific program initiatives. We are a designated agency for the following two initiatives. Using the same color-coded grading scale as the government-wide initiatives, our FY 2008 Fourth Quarter scores were as follows:

● Progress		Status ●
Measure improper payments on an annual basis, develop improvement targets and corrective actions, and track results annually to ensure corrective actions are effective.		
● Progress	Health Information Quality and Transparency	Status ●
Participate in the development of health industry standards for electronic medical records and develop partnerships with federal and private industry providers to promote use.		

The Health Information Quality and Transparency is a new program initiative for us, with our first scores published in the FY 2008 Fourth Quarter scorecard.

For more information on the *President's Management Agenda* and our complete scorecard, please go to www.whitehouse.gov/results/agenda.

PROGRAM ASSESSMENT RATING TOOL

The *Program Assessment Rating Tool* (PART) is a diagnostic tool that the Office of Management and Budget uses to examine different aspects of program performance to identify the strengths and weaknesses of a given federal program. The Office of Management and Budget assessed the Social Security Disability Insurance program in 2003, the Supplemental Security Income program in 2004 and in 2007, and the Old-Age and Survivors Insurance program in 2006. These assessments are online at ExpectMore.gov.

The findings from these program assessments are consistent with many of the priorities we identified as requiring attention. We continue to work with the Office of Management and Budget to ensure that plans are developed, implemented, and updated to improve program performance and address the following PART findings:

SOCIAL SECURITY DISABILITY INSURANCE PROGRAM:

- Simplify the process to improve the accuracy and speed of deciding if an individual is disabled;

- Test several demonstration projects and remove barriers to assist individuals receiving disability benefits in returning to work; and

- Publish rules to update the way age is considered in making disability determinations and consider other rule changes.

SUPPLEMENTAL SECURITY INCOME PROGRAM:

- Simplify the process to improve the accuracy and speed of deciding if an individual is disabled;

- Offer individuals with disabilities a wide range of employment opportunities; and

- Address payment accuracy issues by developing proposals to simplify the program's eligibility rules.

OLD-AGE AND SURVIVORS INSURANCE PROGRAM:

- Educate the public on the solvency issues facing the program and work with the Administration and Congress on legislative reform proposals necessary to achieve long-term solvency;

- Update the tactical plan for electronic services to include information technology and non-information technology projects that will be developed and implemented in subsequent fiscal years; and

- Develop new automated techniques to detect and correct errors in name/Social Security Number matching.

Our *Strategic Plan, Annual Performance Plan*, and budget requests all address the assessment findings. We provide performance measures and targets that we and the Office of Management and Budget use to evaluate the effectiveness of the Social Security Disability Insurance, Supplemental Security Income, and Old-Age Survivors Insurance programs. In FY 2008, we had 15 PART performance measures. Ten of these were also *Government Performance and Results Act* performance measures which we indicate as such in the *Performance Summary of Goals and Results* on page 16 and in the *Performance Section* beginning on page 44. Five were PART-only performance measures which we discuss beginning on page 71 in the *Performance Section*.

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unqualified opinion on our financial statements from the independent audit firm PricewaterhouseCoopers, LLP. These statements combined the results from the programs we administer. These programs include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate funds which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 89 through 142 of this report.
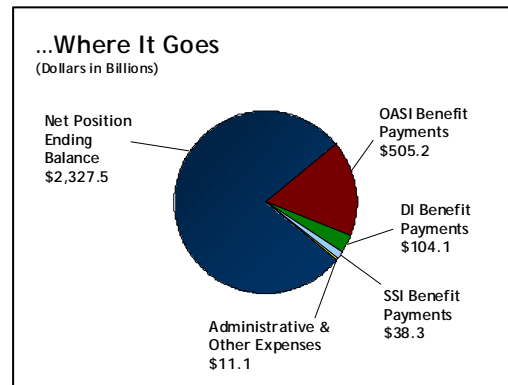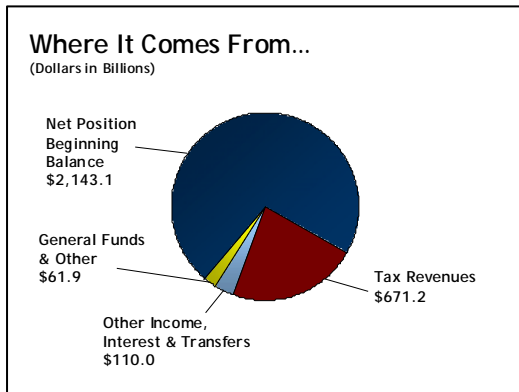
BALANCE SHEET: The Balance Sheet displayed on page 90 reflects total assets of $2,414.7 billion, an 8.5 percent increase over the previous year. Of the $2,414.7 billion in assets, $2,325.3 billion primarily relates to earmarked funds for the OASI and DI programs. Approximately 98.0 percent of assets are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The $185.0 billion growth (8.5 percent) in investments from 2007 is primarily due to tax revenues of $671.2 billion and interest on those investments of $115.1 billion, exceeding the cost of operations of $658.4 billion. The majority of our liabilities, 83.9 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 2008 by $3.9 billion (4.7 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew $184.4 billion or 8.6 percent to $2,327.5 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 62.2 percent of the growth of the investments, up from 58.1 percent in 2007.

STATEMENT OF NET COST: Net cost of operations increased 5.7 percent or $35.6 billion from $622.8 billion in 2007 to $658.4 billion in 2008. This increase in the net cost of operations is primarily due to the first wave of baby boomers attaining retirement age. Of this increase, $35.1 billion (5.7 percent growth) resulted from increased benefit payments and $590 million (5.6 percent increase) resulted from increased operating expenses. The net cost and benefit payments of the OASI program grew 5.1 and 5.0 percent, respectively, while operating expenses grew by 9.0 percent. The number of OASI beneficiaries grew 1.5 percent to 41.5 million while average benefit payments grew by 3.5 percent to $1,023.88 per month. The net cost and benefit payments of the DI program grew 6.8 percent and 6.9 percent, respectively. Operating expenses increased by 5.5 percent. The number of DI beneficiaries grew by 3.5 percent while average benefits increased 2.9 percent to $863.67 per month.

The net cost and benefit payments of the SSI program increased 11.3 percent and 12.3 percent, respectively. The increase is primarily due to SSI having 12 months of benefit payment activity in FY 2008, versus 11 months of activity in FY 2007. There were only 11 months of activity in FY 2007 because October 1, 2006, was on a Sunday so the benefit payment for October was accelerated into September 2006. Operating expenses increased by 0.5 percent. The number of SSI beneficiaries grew by 2.1 percent while maximum benefits increased by 2.3 percent to $637 per month. The operating expenses of the Other program, which consists primarily of administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds, grew by 9.2 percent.

STATEMENT OF CHANGES IN NET POSITION: The Statement of Changes in Net Position reflects an increase of $184.4 billion in the net position of the agency. This increase is primarily attributable to a $185.0 billion increase in investments. At this time, tax revenues continue to exceed benefit payments. The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the funds we were provided in FY 2008 and how these funds were used. These statements are displayed on pages 91 and 92, respectively. Most resources available to us were used to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Administrative expenses as a percent of benefit expenses is 1.7 percent. In 2008, total financing sources grew by $33.4 billion or 4.1 percent from $809.4 billion in 2007 to $842.8 billion in 2008. The primary sources for this growth were a payroll and income tax revenue increase of $23.8 billion (3.7 percent) from 2007 and an investment income increase of $6.6 billion (6.1 percent) from 2007. The growth in investment income was due to increasing assets of the combined OASI and DI Trust Funds and an increase in the average interest yield from 6.59 percent to 7.85 percent.
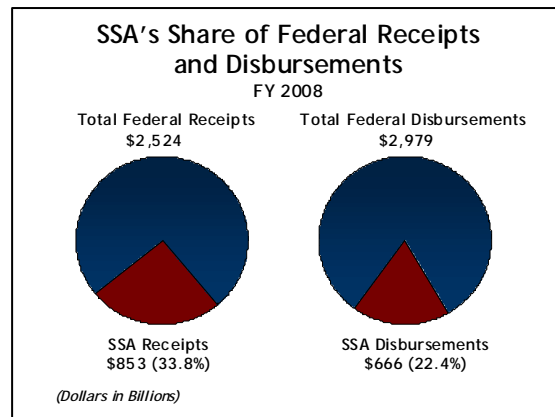
Where It Comes From...
(Dollars in Billions)

Net Position Beginning Balance $2,143.1

General Funds & Other $61.9

Other Income, Interest & Transfers $110.0

Tax Revenues $671.2

...Where It Goes
(Dollars in Billions)

Net Position Ending Balance $2,327.5

OASI Benefit Payments $505.2

DI Benefit Payments $104.1

SSI Benefit Payments $38.3

Administrative & Other Expenses $11.1

STATEMENT OF BUDGETARY RESOURCES: This statement displayed on page 93 shows that we had $699.7 billion in budgetary resources of which $2.9 billion remained unobligated at year-end. We recorded total net outlays of $657.8 billion by the end of the year. Budgetary resources grew $34.8 billion, or 5.2 percent from 2007, while net outlays increased $36.0 billion, or 5.8 percent.

STATEMENT OF SOCIAL INSURANCE: Effective for FY 2006 and thereafter, Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 94 for the Social Security programs covers a period of 75 years in the future and the information and disclosures presented are deemed essential to fair presentation of our financial information.
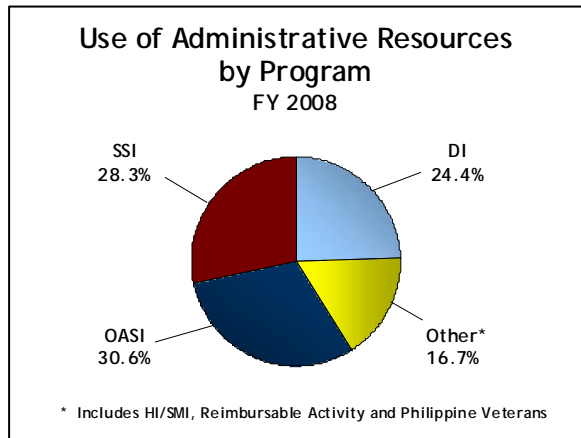
SSA'S SHARE OF FEDERAL OPERATIONS

The programs we administer 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 33.8 percent of the $2.5 trillion in total Federal receipts, an increase of 2.6 percent over last year as Federal income tax collections grew more rapidly than payroll taxes. Disbursements decreased by 0.6 percent to 22.4 percent of Federal disbursements.

SSA's Share of Federal Receipts and Disbursements
FY 2008

Total Federal Receipts $2,524

Total Federal Disbursements $2,979

SSA Receipts $853 (33.8%)

SSA Disbursements $666 (22.4%)

(Dollars in Billions)

USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2008 in terms of the programs we administer or support. Although the DI program comprises only 16.1 percent of the total benefit payments we make, it consumes 24.4 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.9 percent of the total benefit payments we make, it consumes 28.3 percent of annual administrative resources. State Disability Determination Services process claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2007 use of administrative resources by program was 29.6 percent for the OASI program, 24.5 percent for the DI program, 29.8 percent for the SSI program, and 16.1 percent for Other.

Use of Administrative Resources by Program
FY 2008

SSI 28.3%
DI 24.4%
OASI 30.6%
Other* 16.7%

* Includes HI/SMI, Reimbursable Activity and Philippine Veterans

# OASI AND DI TRUST FUND SOLVENCY

PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 37.5 months at the end of FY 2004 to an estimated 43.8 months at the end of FY 2008, an increase of 17 percent.

Number of Months of Expenditures Fiscal-Year-End Assets Can Pay[1]					
	2004	2005	2006	2007	2008
OASI	39.9	42.6	44.0	46.3	48.2
DI	25.4	25.0	25.0	24.1	23.1
Combined	37.5	39.6	40.9	42.5	43.8

[1] Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2007 and 2008 are estimates that are based on 2008 Trustees Report intermediate assumptions.

SHORT-TERM FINANCING

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2008 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2008 Trustees Report, OASDI estimated expenditures and income for 2017 are 87 percent and 69 percent higher than the corresponding amounts in 2007 ($595 billion and $785 billion, respectively). From the end of 2007 to the end of 2017, assets are expected to grow by 100 percent, from $2.2 trillion to $4.5 trillion.

OASDI Income Exceeds Expenditures Increasing Assets for Short Term

Current Dollars in Billions
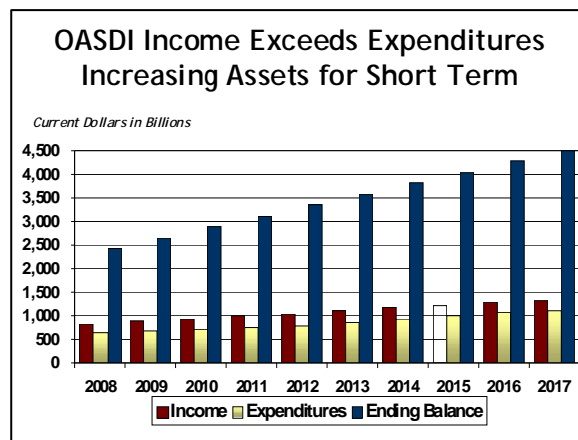
LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2017, program cost will exceed tax revenues, and, in 2041, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is $4.3 trillion, which is 1.6 percent of taxable payroll and about 0.6 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 127 through 142 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 90 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

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

SYSTEMS AND CONTROLS

MANAGEMENT ASSURANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT
FISCAL YEAR 2008

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular No. A-127, Financial Management Systems. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2008.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular No. A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2008.

Michael J. Astrue
Commissioner
November 7, 2008

AGENCY FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established agency-wide management control and financial management systems program as required by FMFIA. We accomplish the objectives of the program by:

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

We have no FMFIA material weaknesses to report this year. Our managers are responsible for ensuring that effective controls are implemented in their areas of responsibility. We require senior-level executives to submit to the Commissioner an annual 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 reporting, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

Our Executive Internal Control committee, consisting of senior managers and chaired by the Deputy Commissioner, ensures our compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the agency, the Executive Internal Control committee determines if the weakness should be considered a material weakness and thus submitted to the agency head for final determination.

We incorporate effective internal controls into our 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. We test the controls prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of our operations and systems to provide an overall assurance that our business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circular Nos. A-123, A-127, and A-130.

MANAGEMENT CONTROL REVIEW PROGRAM

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes such as enumeration, earnings, claims and post-entitlement events, and debt management. Reviews are conducted at our field offices, program service centers, hearings offices, and at the state Disability Determination Services.

We contract with an independent public accounting firm to review our management control program, evaluate the effectiveness of the program, and make recommendations for improvement. Annually, the contractor reviews operations at our central office and selected regional offices.

These reviews have indicated that our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

FINANCIAL MANAGEMENT SYSTEMS REVIEW PROGRAM

OMB Circular No. A-127 requires agencies to maintain a Financial Management Systems (FMS) inventory and to conduct reviews to ensure FMS requirements are met. In addition to exclusively financial systems, we also include all major programmatic systems in this FMS inventory. On a 5-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2008, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Commissioner has determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2008. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2008 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractor.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with PricewaterhouseCoopers, LLP for the audit of our FY 2008 financial statements. The auditor found that the basic financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The auditor also found that management fairly stated that our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations or other matters.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual self-assessment review of their Major Information Technology Security Program. This self-assessment includes a report on the agency's Security Testing and Controls program, agency systems inventory, configuration management for all operating platforms, Plan of Actions and Milestones, and security training. The results of this assessment are reported to OMB. An independent contractor's evaluation indicated that our Security Program substantially met the established FISMA requirements. Our OIG also performed an independent review of our compliance with FISMA and also concluded that we had substantially met the FISMA requirements. We submitted our annual FISMA report to OMB on October 1, 2008.

FINANCIAL MANAGEMENT

(Section 52.4(a), OMB Circular No. A-11)

GOALS AND STRATEGIES

The President's Management Agenda (PMA) (www.results.gov) is a coordinated strategy to reform Federal management and improve program performance. The PMA outlines five government-wide initiatives in addition to agency-specific program initiatives. One of the five government-wide targets is to improve financial performance by ensuring that agencies have accurate and timely financial information to manage cost and inform decision-making. Over the years, we have worked hard to improve our financial management practices. We attained a status score of "green" for the Improved Financial Performance PMA initiative as of the third quarter of 2003 and have maintained a "green" status since that time. We continue to develop new initiatives that will enhance the existing financial and management information systems. These actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Our goal is to maintain the "green" status and to achieve the milestones established for improvement.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

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

We are continuing the long-term development of our FMS following a defined strategy. In the Program Benefits category, we are streamlining the systems and incorporating new legislative requirements, while in the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt. In the Financial/Administrative category, the Social Security Online Accounting and Reporting System, a federally-certified accounting system based on Oracle Federal Financials, was implemented as our System of Record on October 1, 2003. Throughout FY 2008, we continued to exercise the Commercial Off-the-Shelf technology available in this software to integrate agency financial systems that traditionally integrate with the Social Security Online Accounting and Reporting System by providing real-time access to validate accounting information and fund availability. We contracted some of the day-to-day maintenance of the system to Oracle on Demand, which is considered to be a first step in meeting the Financial Management Line of Business requirements by OMB.

This page was intentionally left blank.