

## Performance Goals and Results

Social Security is fundamental to the economic security of the American public. As the most successful domestic program in our nation's history, Social Security contributes to the basic well-being, health and quality of life of the American people. For the beneficiary, family member, neighbor or taxpayer, the presence of Social Security is assurance of a certain economic standard of living for the community and the nation.

Similarly, as the agency charged with managing and delivering these important programs, for over sixty years SSA has ranked among the premier agencies in government for our service and "can do" spirit. In many communities across the country and to many people, SSA has been the primary face of the federal government, and it is fair to say that Americans have generally viewed the Agency's performance and service with approval.

The Agency's pride and flagship, the front line workforce, continues to strive to provide excellent service to the public. Great new challenges lie ahead that would strain any good organization: the looming Baby Boom workload; technology advancing at warp speed along with service expectations; and the loss of expertise and institutional knowledge as our workforce begins to retire in greater numbers. In FY 2000, we created a vision of service in the future--how we will manage our work a decade from now. In FY 2001, we began to address the dual requirements that SSA prepare itself for a vastly different future, and at the same time keep performance and service at its traditional best. While we must invest in tomorrow, we are committed to providing the service the American public has come to expect from us today.

SSA's current strategic plan, *Mastering the Challenge*, charts a course for us to realize by 2005 concrete results in improved service, strengthened program integrity, and increased public knowledge of our programs. At the same time, with investments in technology, the workforce and an expanded base of policy analysis, we position the Agency to meet the needs of tomorrow's customers. Highlights and priorities under this plan for the next five years include the following:



### **Service to the Public:**

- Improve service to applicants for disability benefits by implementing process changes to allow claims that should be allowed sooner, and to reduce the time it takes for decisions on hearings requests and appeals.
- Increase employment opportunities for beneficiaries with disabilities by implementing the Ticket to Work and Work Incentives Improvement Act.
- Increase and maintain overall public satisfaction and improve 800 number service through technological enhancements and process changes that enable customers to complete more business at the first point of contact.
- Establish customer feedback systems and measurement tools that give us a better understanding of customer expectations and a fuller picture of the quality of service we are providing.

### **Program Integrity:**

- Improve Supplemental Security Income payment accuracy through continuing efforts to increase real-time access to data sources on income and resources that affect eligibility and payment amount.
- Clear the backlog and stay current in processing continuing disability reviews (CDRs).

- Increase the payoff from efforts to deter, detect and resolve fraud with a continued emphasis on major vulnerabilities to fraud in the SSI program.

#### **Investments for Tomorrow:**

- Build a body of data, research and policy analysis to identify strengths and weaknesses in the programs and the effects of proposals for change, particularly in the area of program solvency.
- Prepare for the growing customer demand to conduct business electronically by making most services available electronically or through automated telephone service and integrating communications channels for seamless customer access.
- Develop a workforce and technology infrastructure to support our long-range vision of service.
- Increase public knowledge of Social Security programs by continuing to promote awareness of the *Social Security Statement* and how it can be used to plan a secure financial future, and by tailoring our messages and strategies to educate all Americans about Social Security.

In FY 2001, we made major strides in addressing those long-term priorities and goals. This FY 2001 Performance and Accountability Report (PAR) is our opportunity to describe that progress. We tell you what we aimed to accomplish in FY 2001, what was in the way, what we actually did and what the consequences of our accomplishments were. We present that progress in the context of the requirements 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. GPRA defines specific efforts, at the highest level, that agencies must undertake to fulfill this requirement.

Strategic plans, annual performance plans and annual performance reports comprise the main elements of GPRA. Together, these elements create a recurring cycle of planning, program execution, measurement, and reporting. By forging a strong link between resources and performance, these plans and reports show what is being accomplished and reinforce accountability for the money that is being spent.

At SSA, agency officials and staff use these plans and reports to manage and administer Social Security programs. They are also used by the President and Congress when forming programmatic and policy decisions, for oversight, and by the public for information on the purpose and effectiveness of social security programs and activities.

The strategic plan in effect for this FY 2001 GPRA performance report, "*Mastering the Challenge*" was published in 2000 and covers the period FY 2000 through FY 2005. This strategic plan states SSA's mission and establishes five broad strategic goals and seventeen supporting objectives that encompass all our program activities. The five strategic goals are:

- To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation
- To deliver responsive, world-class service
- To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse
- To be an employer that values and invests in each employee
- To strengthen public understanding of the Social Security programs.

For each of the supporting objectives, the FY 2001 Annual Performance Plan (APP), submitted to Congress in February 2000, sets forth the performance indicators and annual targets that serve as the measures of our performance in FY 2001. Those FY 2001 performance targets were based on the most recent data and analysis, agency consideration and decisions and were concomitant with the funds requested. The Revised Final FY 2001 Performance Plan, published in April 2001,

revised several performance indicators and annual targets based on factors including but not limited to subsequent SSA consideration of actual, full-year performance data for FY 2000 and reductions to SSA's FY 2001 budget request.

Where target performance for an indicator was revised in the Revised Final FY 2001 Performance Plan, that target is used for comparison in this performance report rather than the target in the APP. In addition, where the wording or definition of an indicator or the definition of a target was changed in the Revised Final FY 2001 Performance Plan, that detail is carried over into the annual performance report.

## Summary of FY 2001 Performance

In FY 2001 as in every other year, the largest usage of SSA's administrative resources went to processing our substantial day-to-day workloads. These workloads include:

- Paying benefits to 50 million people every month;
- Taking over 5 million claims, evaluating evidence, and making determinations of eligibility for benefits;
- Issuing 18 million new and replacement Social Security Number (SSN) cards;
- Processing 270 million earnings items for crediting to workers' earnings records;
- Handling 59 million calls to SSA's 800-number;
- Issuing 136.7 million Social Security Statements;
- Processing 1.7 million CDRs; and
- Processing over 2 million SSI redeterminations.

At the same time that we met these considerable day-to-day challenges, we made considerable progress in working to achieve our strategic performance commitments, as well as continuing to prepare to meet the future challenges of projected significant workload increases and employee retirements in the near future.

During FY 2001, we made considerable progress in meeting our long-term performance goals. For example:

- We continued to enhance, update, and share information about the value of the Social Security programs and the effects of proposals for change.
- We maintained virtually stable levels of overall public satisfaction, as we worked to maintain service levels in the current budget environment, even as customer demands and expectations continued to rise.
- We continued to make available additional automated and electronic services to our customers. This year we added or enhanced six Internet transactional services. We also continued to address the many challenges, including privacy and security, that will enable our customers to do business with us in an electronic environment.
- We made substantial progress in obtaining online eligibility data from Federal and State agencies, financial institutions and medical providers. This online access produces the benefits of reducing the burden on our customers to provide information, reduces processing time, improves payment accuracy and promotes one-stop Government service.
- We made significant progress in building the infrastructure to implement the new Ticket to Work and Self-Sufficiency Program that will help beneficiaries return to work.

- We stayed on target to complete our 7-year plan to become current with processing all CDRs by FY 2002. CDRs are a key factor in maintaining the integrity of the disability program.
- We continued to obtain significant results in our battle against fraud from Office of Inspector General investigations and other anti-fraud activities.
- We continued to provide our current employees with the support they need to continue to be the highly skilled, high performing and highly motivated workforce that is critical to achievement of our core mission. We also took steps to address our long-term human resource needs as we prepare for the challenges of the next decade.
- We worked to maintain public levels of understanding of Social Security programs at 75 percent and began to implement strategies to raise the level of knowledge among various segments of the population who are more difficult to reach with our messages.

In addition, there are a few areas where we did not make progress, or in which we fell back, due to a variety of reasons, either environmental and/or management. Specifically:

- Because of both external and internal factors, we continued to struggle to improve timeliness and productivity in our processing of hearing requests. The main barriers were litigation that continued to prevent us from hiring needed Administrative Law Judges (ALJs) to fill existing vacancies, and implementation of a new hearing process. We do not expect much improvement in average processing time in FY 2002 as an unavoidable result of the steady rise in pending levels experienced during FY 2001 and a higher actual average processing time in FY 2001 than projected. However, recent hiring of ALJs should have a positive impact beginning in FY 2003.
- We did not improve timeliness (i.e., average processing time) or productivity in our processing of decisions on appeals of hearings. This was due to several factors, including our focus in FY 2001 on clearing aged cases, which are more complex and take longer to process, as well as delays in realizing efficiencies from our newly implemented process improvements. We expect that our actions in FY 2001 will begin to result in benefits beginning in FY 2002.

During FY 2001, SSA used 68 distinct GPRA performance indicators to manage and track our progress in meeting our long-term strategic plan goals. These measures were established in our FY 2001 APP and/or, as appropriate, Revised Final FY 2001 Performance Plan. Some of these indicators have more than one sub-goal for FY 2001, and we report on each of those individually and in combination in this report. For four of the 68 indicators, we did not establish targets, and they were not measured in FY 2001. Our performance related to all of the 68 indicators is reported in the “GPRA Performance Results/Individual Performance Indicator Results” section or in this section as Key Performance Indicators.

For a limited number of performance measures, actual levels of full year performance data are not available as of the publication of this report. For those measures, actual performance for FY 2001 will be reported in the FY 2002 PAR.

In addition to GPRA performance indicators, we also tracked a number of budgeted workloads which were processed in FY 2001 in support of our strategic goals. Our performance is reported and discussed for those workloads in the “GPRA Performance Results/Selected Budgeted Workloads in Support of Strategic Goals” section. One of those budgeted workloads is also a Key Performance Indicator and is discussed on pages 44-45.

## **FY 2001 Performance by Strategic Goal**

This section presents a summary discussion of FY 2001 performance for each of SSA's five strategic goals. We discuss our FY 2001 results and the actions we took during FY 2001 to accomplish the results. We also discuss the impact of actual FY 2001 performance on expected FY 2002 strategies and performance, as well as its contribution to achieving our longer-range goals and objectives.

This section also presents our FY 2001 performance related to one or more key performance indicators for each strategic goal. For each key performance indicator, we compare the target level of performance as set out in SSA's FY 2001 APP or Revised Final FY 2001 APP, as appropriate, with the actual level of performance we attained. We describe the activities we undertook in FY 2001 to achieve the results, describe any relevant underlying factors that may have affected performance and describe remedial and/or future strategies, as appropriate.

We provide additional detail on performance in the section "GPRA Performance Results/Individual Performance Indicator Results." In that section, we present similar FY 2001 performance information for the balance of SSA's FY 2001 GPRA performance indicators.

The "GPRA Performance Results/Individual Performance Indicator Results" section is organized by strategic goal. Under each strategic goal are several supporting strategic objectives under which we discuss the performance indicators that are used to measure our performance under that objective. Indicators are quantifiable in most cases. In other cases, our indicators are still measurable; they are milestones of initiatives expected to have a positive impact on performance.

For all indicators, we display the measure and FY 2001 target (i.e., goal), present a discussion of actual performance relative to the target and, as appropriate, future actions. We also explain the relevance of the measure to SSA's mission and the impact of FY 2001 performance on the overall performance trend and targeted FY 2002 performance. For quantifiable indicators, we also display available longitudinal data back to FY 1999 and to FY 1998 where available. In addition, we present data definitions and data sources for all the performance indicators, including key performance indicators. For any indicator that is discontinued effective FY 2002, such discontinuance and its basis are noted.

### ***Strategic Goal: To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation***

This strategic goal reflects SSA's responsibility for helping shape the Social Security and Supplemental Security Income programs to adapt to the changing needs of wage earners and beneficiaries. We fulfill this responsibility by preparing statistical information about our programs, evaluating their performance, conducting research and policy analysis and providing findings and options to our customers who are involved in policy development. These customers include the Administration, the Congress and policy analysts inside and outside government.



In FY 2001, SSA continued to provide timely and useful research and analysis in support of our mission to promote the economic security of the Nation's people. Notably, the Agency updated its barometer measures and provided analyses of options for modernizing and strengthening Social Security to meet future economic and demographic challenges.

SSA met all but two of the targets under this goal in FY 2001, and those targets will be accomplished in FY 2002. In support of this goal, the Agency devoted \$18 million of its FY 2001 administrative budget to research, evaluation, statistical activities and policy analysis and another \$29 million to extramural research.

**Key Performance Indicator 1:**

**Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of Old-Age, Survivors and Disability Insurance (OASDI) programs**

**FY 2001 Goal: Prepare summary and analysis on the barometer measures**

**Our FY 2001 Performance:** We met our goal.

A key deliverable in support of this goal is an annual set of barometer measures, which provide valuable information on program coverage and eligibility, benefit adequacy and equity, reliance on Social Security and SSI benefits, return to work among beneficiaries with disabilities, and private provision for retirement. SSA published its initial barometer measures in the Agency's strategic plan, *Mastering the Challenge*, and in our FY 2000 performance report. Beginning with this FY 2001 performance report, we are fulfilling our commitment to publish annual updates and analysis of our barometer measures.

This year we have added new barometer measures, including labor force participation (which is the basis for Social Security benefits and other retirement saving), replacement rates based on actual earnings and three measures of private provision for retirement (pension coverage, financial assets and net worth). We are using the barometer measures to help identify areas where our programs may be strengthened. For example, the barometers confirm the need to strengthen work opportunities for disabled beneficiaries, and return-to-work will continue to be a major focus of our research, demonstration projects and policy development activities.

**Data Definition:** Self-explanatory.

Following is a very brief summary of the barometer measures. The full set of barometer measures are organized under five barometer categories, and an analysis of each of five areas is in the "GPRA Performance Results" section of this report.

The five barometer categories are:

- I. Program Coverage and Eligibility
- II. Benefit Adequacy and Equity
- III. Reliance on Social Security Programs
- IV. Return-to-Work Among Persons with Disabilities
- V. Private Provision for Retirement

The barometers help us understand the impact of SSA programs, individual work choices and other factors on income security:

**I. Program Coverage and Eligibility**

- Labor force participation is the foundation of economic security for most.
- Coverage for disability is lower for women than men.
- One-third of women receive benefits only as wives or widows.
- Another 28 percent of women receive both worker and auxiliary benefits.

The effects on the well-being of subgroups should be assessed when changes to benefits are considered.

## **II. Benefit Adequacy and Equity**

- Poverty rates have been reduced but still vary greatly.
- The young, women, and minorities are more likely to be poor.
- The current benefit formula provides higher replacement rates to low earners.
- Higher lifetime earners receive higher benefits but lower replacement rates.

Although Social Security has helped to reduce poverty rates, both adequacy and equity issues are important to continuing public support.

## **III. Reliance on Social Security and SSI**

- About half of beneficiary families receive 50 percent or more of their income from Social Security.
- Reliance on Social Security is higher for older and low-income beneficiaries.
- For two-thirds of SSI beneficiaries, SSI payments provide 50 percent or more of their income.

Too much reliance on OASDI and SSI benefits can result in inadequate income for beneficiaries; plans for diverse sources of income are critical.

## **IV. Return-to-Work Among Persons with Disabilities**

- About 16 percent of SSI beneficiaries and 7 percent of SSI disabled beneficiaries work.
- Less than 1 percent of SSDI and SSI disabled beneficiaries lost benefits due to work.

Implementing the Ticket to Work legislation, national work incentive grants and demonstration projects should remain an important priority.

## **V. Private Provision for Retirement**

- About half of today's workers have pension coverage.
- Increasingly, these plans are defined contribution plans, increasing the potential of higher returns together with individual risk.
- Levels of financial assets and net worth indicate that many have little private savings to supplement Social Security.

Planning for retirement should be a priority to ensure greater economic security.

### **Key Performance Indicator 2:**

**Preparation of research and policy evaluation necessary to assist the Administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs**

**FY 2001 Goal: Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress, and other policy makers. (We will analyze new proposals and/or modify analyses of previous proposals based on new data.)**

**Our FY 2001 Performance:** We met our goal.

We met our goal by providing data and analyses related to Social Security reform in response to requests from the Administration and the Congress. For example:

- The Agency's Modeling Income in the Near Term (MINT) model provides demographic, income and benefit projections for future beneficiaries. In June 2001, we released a baseline analysis of demographic projections of future beneficiaries using data from MINT to Congressional requesters and the General Accounting Office (GAO).

- In the summer of 2001, we provided MINT data to GAO to assist in responding to a Congressional request on the adequacy of Social Security benefits.
- In September 2001, we conducted an analysis using MINT data to examine proposals designed to reduce poverty among the elderly, particularly women.
- We also used MINT data to prepare a distributional analysis of the Gramlich proposal from the 1994-1996 Advisory Council on Social Security.

In addition to fulfilling requests from the Administration and Congress, SSA prepared a paper estimating the administrative costs of individual accounts and made the paper available on our Website.

**Data Definition:** Self-explanatory.

### ***Strategic Goal: To deliver customer-responsive world-class service***



Virtually everyone in the nation has been or will become a customer of SSA at some point in their lives. This goal is directed specifically toward the way we deliver service to the people who conduct business with SSA.

By committing to “world-class” service, we mean to provide service that is equal or superior to that provided anywhere in the public or private sector. In defining world-class service, we look first to the American public to determine what they desire most from our service. We then

balance their feedback with necessary resource considerations and other competing mission responsibilities to set our service objectives. We express our outcomes for this goal both in terms of overall public satisfaction and the results we aim to achieve in response to their needs and preferences. The measures and the strategies we employ focus on maintaining or improving service, even while demands grow and resources are constrained.

Our FY 2001 administrative expenses in support of this goal were \$5,286 million and includes our return-to-work efforts as we continued to establish and implement SSA’s new Ticket to Work and Self-Sufficiency program.

At SSA, we are continuously seeking to improve our interactions with the public, regardless of where and how the interface takes place. We strive to use state-of-the art tools for our electronic and automated services. We want these services to meet the broad range of needs of the public.

One way we are doing this is by continuing to expand the services we offer by telephone and electronically via the Internet that will allow customers to complete their business with SSA at the initial point of contact. We are pursuing an aggressive strategy that will provide on-line functionality while addressing resource issues and privacy and security safeguards. This will enable SSA to improve service and realize some administrative efficiencies by increasing access to public information and forms, while developing more complete on-line data collection and processing functions. We have already implemented 65 high-volume forms which can be downloaded on <http://www.ssa.gov>. In FY 2000, we implemented a service of benefit planners on SSA’s website as well as our new electronic retirement benefit application. In FY 2001, we continued to make additional services available to the public via Internet, adding six new self-initiated actions that can be processed on the Internet. These new services are described in the Electronic Service Delivery narrative of the “Major Issues Facing SSA” section of this report. We will continually adjust our overall Internet strategy based on public input and activity on the Internet.



While several of our FY 2001 service delivery targets were not met, many “misses” were by a small amount and the progress made during the year was substantial. Even where our performance declined as compared to FY 2000, we understand the reasons why and in many cases, expect that the initiatives we undertook or continued during FY 2001 will have the intended payoffs in FY 2002 or FY 2003 and beyond. And in all cases of missed targets, the lessons learned inform us that we must continue to improve our processes and data collection methods, identify and implement efficiencies, and otherwise modify strategies so as to be more responsive to public needs and expectations.

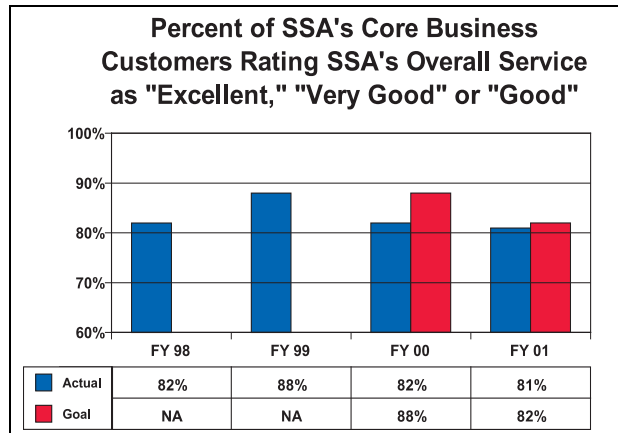
SSA is currently in a transition period. As we test and acquire new technologies expected to make significant service improvements in the long term, we struggle to maintain service levels in the current budget environment, even as public demands and expectations continue to rise. We are confident, however, that our efforts will result in improvements in all aspects of our service, both in the near-term and long-term.

**Key Performance Indicator 3:**

**FY 2001 Goal: 82 percent**

**Our FY 2001 Performance: 81 percent**

The overall public satisfaction rate for FY 2001 remained virtually the same as the FY 2000 rate, i.e., down one percentage point from FY 2000. Actual performance was one percentage point lower than the target.



Although the Agency continues with numerous service improvement initiatives, there have been no service enhancements significant enough during the past year to counterbalance the negative influences on overall satisfaction, most significantly telephone access issues. Analysis of our public interaction surveys indicates that the perception of access is the factor that has the strongest negative impact on the overall rating. Other factors that may be preventing a higher overall satisfaction rate this year: no significant notice improvements, fewer hearings being processed and longer initial disability claims and hearings processing times. Due to these factors, the overall satisfaction rate remained relatively stable.

As we continue to pursue service improvements to address evolving public expectations, we expect satisfaction levels to remain relatively constant through FYs 2002 and 2003.

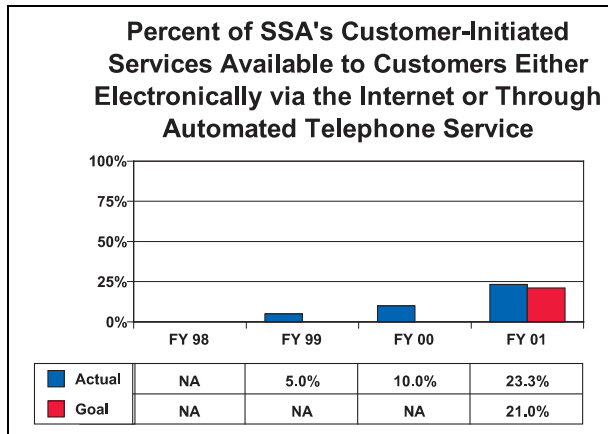
**Data Definition:** The number of core business customers surveyed by SSA’s Office of Quality Assurance and Performance Assessment who rate overall service as “good,” “very good” or “excellent” on a 6-point scale ranging from “excellent” to “very poor,” divided by the total number of respondents to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

**Data Source:** For FY 1999 and earlier, the SSA Annual Customer Satisfaction Survey. For FY 2000 and on, the Interaction Tracking Surveys that capture customer satisfaction shortly after service contacts (either by telephone or in-person) take place.

**Key Performance Indicator 4:**

**FY 2001 Goal: 21 percent**

**Our FY 2001 Performance:** We exceeded our goal, with actual performance at 23.3 percent, and we are on target to meet our FY 2002 goal for having 30 percent of our services available through the Internet or automated telephone service by FY 2002.



In FY 2001, six new Internet applications were added or enhanced for the public's use. We implemented a benefit eligibility screening tool which helps individuals determine their potential eligibility to Social Security and SSI benefits based on answers to basic questions. We modified our flagship Internet application for retirement benefits to enable a spouse to file for benefits. Using an SSA-issued password, filers for retirement benefits can now use the Internet to check on the status of their social security benefit, change their address and/or telephone number and make changes to direct deposit information for their benefit check. The addition of these applications brought the total self-initiated actions available on the Internet to 17. Having identified 73 unique potential self-initiated services that might be made available electronically, these 17 applications equate to a total of 23.3 percent.

In FY 2002, we will expand and enhance our citizen-centered collection of services to at least 22 applications. Currently proposed services for development in FY 2002 include disability benefit applications, death reports, representative payee accounting, earnings corrections and the online Social Security Statement. The first password-based automated 800-number service, enabling a beneficiary to check the amount and date of the next benefit check due, became available in late October 2001.

Expanding electronic government is one of the five key elements in the President's Management and Performance Plan. While our goal of providing 30 percent of our customer-initiated services electronically by FY 2002 remains unchanged, in evaluating our performance in FY 2001, we recognized that for FY 2003 we might need to expand this goal to include other factors beyond counting the number of services we offer electronically.

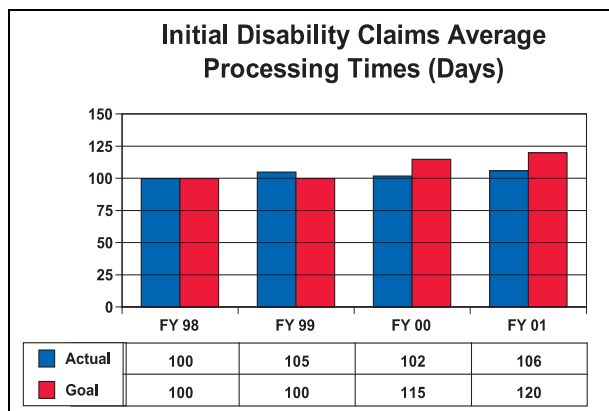
**Data Definition:** Percent of 73 customer-initiated services that will be available electronically via the Internet or through automated telephone service.

**Data Source:** List of SSA services initiated by customers; Internet schedule: Internet Site: [ssa.gov](http://ssa.gov).

**Key Performance Indicator 5:**

**FY 2001 Goal: 120 days**

**Our FY 2001 Performance:** With FY 2001 average processing time at 106 days for initial disability claims, we met our goal. A number of factors contributed. First, we reallocated over \$30 million to the State Disability Determination Services (DDSs) for processing claims, and this enabled the DDSs to increase case processing capacity. Second, a special project to rework 70,000 SSI disability cases did not materialize this year, so the DDSs were able to concentrate on clearing pending disability cases. We expect that the DDSs will meet future disability claims processing time goals if supported by funding.



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

**Data Source:** Title II MIICR Processing Time and Title XVI SSICR Processing Time System.

**Key Performance Indicator 6:**

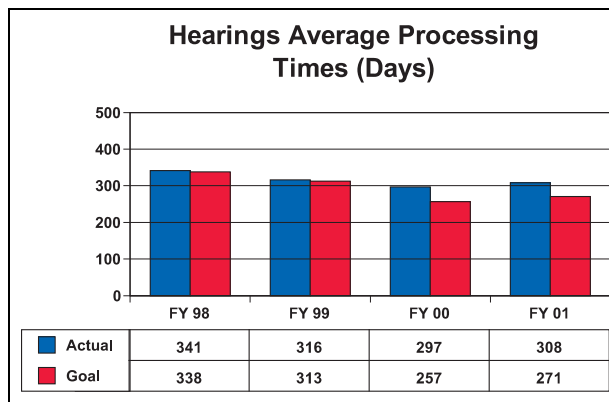
**FY 2001 Goal: 271 days**

**Our FY 2001 Performance:** We did not meet our goal; actual FY 2001 hearings average processing time was 308 days.

We did not achieve our FY 2001 hearings average processing time goal due to two major factors that adversely impacted our hearings processing capacity. First, from April 1999 until

September 24, 2001, SSA was prevented from hiring Administrative Law Judges (ALJs) to fill existing vacancies. This was as a result of litigation involving the Office of Personnel Management (OPM) (*Azdell v. OPM*), which prohibited OPM from providing Federal agencies with an ALJ certificate from which to hire new ALJs. Accordingly, the ALJ corps continued to diminish during FY 2001, and from 1999 through June 2001 we lost 172 ALJs. The impact was a continuing loss in case processing capacity, higher pending levels and increased processing time. On September 24, 2001, we were granted a one-time exception to hire 126 ALJs pending a long-term resolution of the issue, and we took immediate action to hire.

The second major factor was implementation of a new hearing process. We expect hearings average processing time to remain relatively high in FY 2002, due to the effects of high hearings pendings continuing into FY 2001. Nevertheless, we will continue to look for ways to improve our hearings processing capacity and productivity. In addition to proceeding with the new ALJ hires, we are evaluating the new hearing process, and recently renegotiated a Memorandum of Understanding with one of our unions to afford more flexibility to local hearing offices in the performance of certain administrative activities. These positive efforts should reduce average processing time beyond FY 2003.



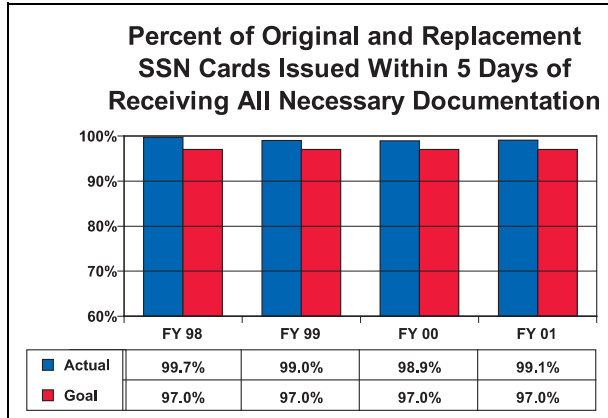
**Data Definition:** Beginning FY 2000, this indicator was redefined (from the one included in the FY 1999 APP) to represent the average elapsed time from the hearing request date until the date of the notice of decision, for the hearings level cases processed during all months of the year. The FY 1998 data reflects the average elapsed time of hearings level cases processed only in the last month of the FY (September). The data shown for FY 1999 is a yearly average.

**Data Source:** Office of Hearings and Appeals (OHA) Monthly Activity Reports and the Hearing Office Tracking System (HOTS).

**Key Performance Indicator 7:**

**FY 2001 Goal: 97 percent**

**Our FY 2001 Performance:** As we have for the past three fiscal years, we exceeded our goal. In FY 2001, our actual performance was to process 99.1 percent of SSN cards within 5 days of receiving all necessary documentation.



People who are applying for a new or replacement SSN card usually need the number to be issued as soon as possible for employment, other Federal and State benefits, or because of a name change. We will continue to provide this consistently high level of performance as an indication of our commitment to world-class customer service in the issuance of SSN cards.

Beginning in FY 2002, we will make a technical change to the definition of this performance indicator. The issuance date will be defined as the date of the systems run that assigns the SSN. This change clarifies the ending date for counts under this performance measure. Data previously reported, as displayed in the chart above, reflect this revised definition.

**Data Definition:** The percentage rate is the number of original and replacement SSNs issued within 5 days of the date the field office receives all required documentation divided by the total number of requests. The issuance date is defined as the date when the printed cards are delivered to SSA’s mail operation. The data excludes SSNs assigned via the Enumeration-at-Birth process.

**Data Source:** Field Office Social Security Number Enumeration Report.

***Strategic Goal: To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse***

SSA paid out \$450 billion in estimated total benefits in FY 2001 from taxpayer contributions to the trust funds and from general revenues. Social Security programs, which are designed to meet critical needs of the public, can themselves be threatened if the public perceives serious problems with program integrity. This goal reflects SSA's responsibility to protect taxpayer dollars from losses associated with fraud, abuse and payment error and to otherwise be a good steward of the programs we administer.



The overall outcome of this goal is accurate payment of benefits, that is, the right people getting the right payment. Because the size and complexity of Social Security programs make it inevitable that some error will occur, we focus not only on making payments correctly to begin with but, also on detecting and correcting errors as quickly as possible. When inaccuracies involve overpayments, our responsibilities require that we recover as much of the debt owed as possible.

In spite of our efforts to ensure that only those individuals who are eligible receive exactly the amounts due them, some individuals attempt to obtain benefits fraudulently. While there is no indication of widespread fraud associated with our programs, this goal underscores SSA's commitment to be vigilant in our efforts to combat fraud.

This goal focuses on the Agency's stewardship responsibilities from both a service and a business perspective. In FY 2001, the Agency has performed very well in this area, meeting most of the goals for which we have actual data. Technological advances, efficient use of the Internet and SSA's continuing efforts to encourage more employers to convert to electronic wage reporting and the offering of improved services and customer support contributed significantly to our success this year in achieving and exceeding the goals related to posting earnings and wage items. Our anti-fraud investigative efforts by our Office of the Inspector General (OIG) resulted in significant increases in FY 2001 in the recovery of dollars belonging to SSA's trust funds and in prosecutions of those who defraud the Social Security programs.

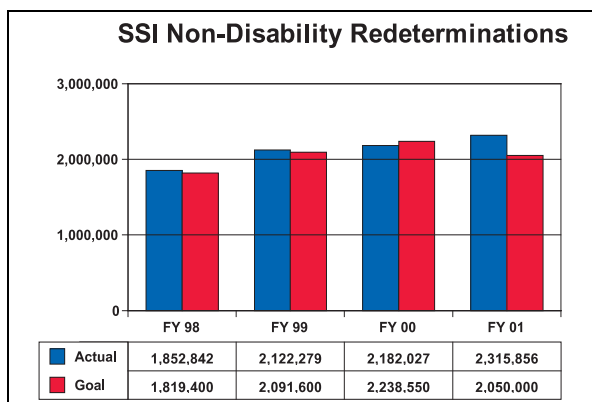
Our FY 2001 administrative expenses of \$1,538 million supported the full range of activities that SSA, including the OIG, undertook to ensure the integrity of records and payments and to protect the taxpayers' investment in the trust funds and general funds.

**Key Performance Indicator 8:**

**FY 2001 Goal: 2,050,000**

**Our FY 2001 Performance:** We processed more than the targeted number of redeterminations, with 2,315,856 actually processed in FY 2001.

Supplemental Security Income (SSI) non-disability redeterminations are periodic reviews of eligibility to make sure that a recipient is still eligible and that the recipient is receiving the correct amount of SSI benefits. Redeterminations focus on the income and resource factors affecting



eligibility and payment amounts. These reviews are the most effective tool we have for improving the accuracy of SSI payment outlays. Each year, SSA processes approximately 2,000,000 redeterminations. This is a cyclical workload with most cases released for processing early in the fiscal year, followed by smaller, monthly releases.

For FY 2002, SSA has requested funds to conduct even more redeterminations as part of our efforts to reduce erroneous payments in the SSI program. Our ability to process those redeterminations will depend on FY 2002 funding.

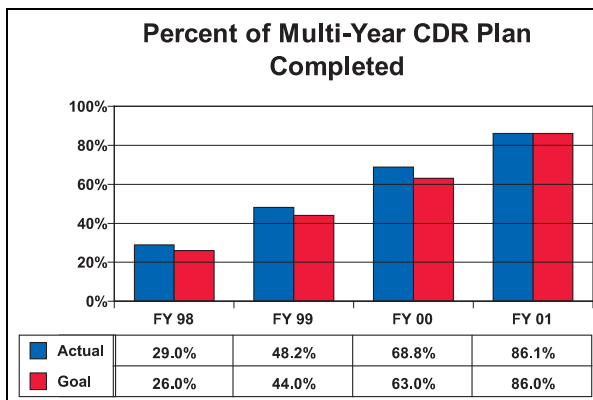
**Data Definition:** All actions involving the redetermination of eligibility of SSI beneficiaries resulting from diary actions (scheduled) and initiated as a result of events reported by beneficiaries.

**Data Source:** IWMS/DOWR

**Key Performance Indicator 9:**

**FY 2001 Goal: 86 percent**

**Our FY 2001 Performance:** We met our goal. SSA conducts very cost-effective periodic reviews called continuing disability reviews (CDRs) to determine whether individuals receiving disability have medically improved and no longer meet the statutory definition of disability, and therefore should have their disability benefits terminated. The CDR process allows SSA to ensure the integrity of payments to individuals receiving disability benefits by monitoring their status.



SSA's annual targets are set in accordance with our 7-year CDR plan, which covers FYs 1996 through 2002. The goal of our 7-year plan is for SSA to process its entire backlog of CDRs by FY 2002, and then to keep current with processing this critical workload. Congress provides special funding to SSA to process our 7-year plan workload.

In FY 2001 we processed the targeted percentage of CDRs through adequate funding and by undertaking initiatives to enhance the efficiency and integrity of CDR processing. These initiatives included improving our ability to identify factors that may indicate that a beneficiary has medically improved. We use these factors in a profiling process to determine the type of CDR path a case should follow: either a full medical review or an abbreviated process using a CDR mailer questionnaire.

In FY 2002, we expect to complete our 7-year CDR plan, thus eliminating all CDR backlogs. To keep current with this workload, we will need to process 11.6 million CDRs from FY 2003 through FY 2009, and that is our intent. We estimate that this effort will result in \$40 billion in lifetime program savings compared to an administrative cost of about \$5 billion.

**Data Definition:** This measure is derived by dividing the cumulative number of CDRs SSA processed from FY 1996, the first year of the CDR multi-year plan, through the current FY, by the total number of CDRs SSA has committed to processing through 2002 according to its most recent multi-year CDR plan. This indicator will be discontinued and replaced with a new indicator beginning FY 2003 because the multi-year plan will be completed in FY 2002.

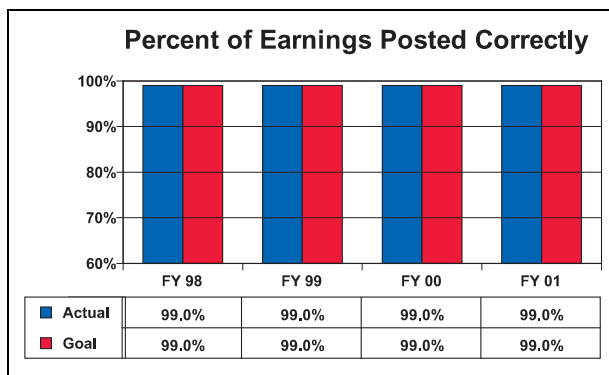
**Data Source:** National DDS System: Supplemental Security Record, Master Beneficiary Record, CDR Control File.

**Key Performance Indicator 10:**

**FY 2001 Goal: 99 percent**

**Our FY 2001 Performance:** We again met our goal of posting correctly 99 percent of tax year 2000 earnings.

Our automated processing of earnings reported via paper eliminates human transcription errors in processing. On the magnetic media side, SSA has a number of online reference sources (<http://www.ssa.gov/employer>) to support the accuracy of reported earnings.



SSA works on an ongoing basis, through its Employer Reporting Service Center (1-800-772-6270) and through its Employer Service Liaison Officers located throughout the country, to respond to questions from employers and third-party filers. These services, combined with SSA's initiatives to expand electronic wage reporting, should ensure that SSA continues to meet its 99 percent performance goal for the accuracy of posted earnings.

Each year, we continue to improve the accuracy of wages reported to us and increase the efficiency of the reporting process. We continue to achieve excellent timeliness and accuracy performance, but there is still progress to be made through our electronic wage-reporting program. We still receive too many employee wage items (i.e., W-2 forms) with incorrect Social Security numbers (SSNs) and names, and too many paper and other labor-intensive, non-electronic wage reports.

We will continue to improve the accuracy of wages reported to us. We are implementing a 5-year plan to reduce the number of incorrectly reported wage items and thus improve the accuracy of earnings records, while making the process more efficient and user-friendly for employers and other wage reporters. In FY 2002, we will implement a full Internet wage-reporting capability. We will continue, as we have in the past with such excellent results, to work with employers and third-party filers, not just to answer their questions, but to encourage their use of electronic wage reporting.

**Data Definition:** This rate represents the percent of earnings that SSA is able to post to individuals' records based on a match to a valid name/SSN and the Agency's records. In addition, it reflects the results of a quality assurance review of the accuracy of earnings posted. The computation of this rate is the total earnings processed correctly to individuals' earnings records and Agency records for a tax year divided by the total earnings reported to SSA for that tax year.

**Data Source:** Earnings Posted Overall Cross Total/Year-to-Date System (EPOXY) and a quality assurance review of the accuracy of posting received reports.

**Key Performance Indicator 11:**

**FY 2001 Goal: 2,500**

**Our FY 2001 Performance:** We met and substantially exceeded our goal with 4,300 convictions.

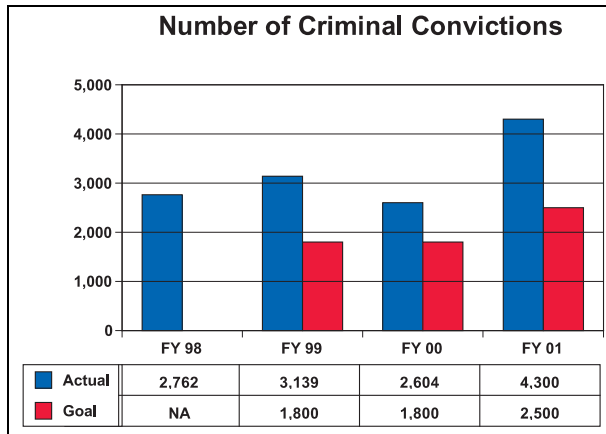
In FY 2001, we showed a significant increase in the number of criminal convictions reported as a result of the OIG’s investigative activities. This increase is largely due to the expansion of some national investigative efforts such as those associated with the OIG’s

fugitive felon program and the Cooperative Disability Investigations (CDI) teams. The OIG continues to increase the number of CDI teams in operation each year. This annual increase has resulted in annual rises in productivity and results. The OIG continues to review productivity reports to determine if future performance goals are realistic. Based on past history, it appears that the goal set for FY 2002 continues to be both valid and reliable.

Beginning in FY 2002, we will make a technical change to this performance indicator. We are changing it from “number of criminal convictions” to “number of judicial actions conducted.” We are making this technical change to more accurately reflect the types of actions that have been, and continue to be, counted in this indicator. Those actions include more than criminal convictions as defined by the legal community. They also include any event during the criminal justice process that causes an individual suspected of committing a crime to be arrested for the crime, or to appear before a judge to enter a plea of guilty, or to face trial before a judge or jury.

**Data Definition:** Effective with FY 2002, this performance indicator language is changed from “number of criminal convictions conducted” to “number of judicial actions conducted.” The reason for the change is that the actions actually counted in this universe included actions that were broader than the legal definition of a criminal conviction. The change in performance indicator language is a change to clarify the performance measure. Data previously reported remains unchanged. A judicial action is any event during the criminal justice process that causes an individual suspected of committing a crime to be arrested for the crime, or to appear before a judge to enter a plea of guilty, or to face trial before a judge or jury.

**Data source:** Allegation and Case Investigative System (ACIS).





***Strategic Goal: To be an employer that values and invests in each employee***

SSA would not be the service-oriented organization that it is recognized to be without its employees. The nature of SSA's ongoing public service workloads, such as paying benefits to over 50 million people every month, requires that we provide support to a substantial Federal and State DDS workforce. Over and above that basic support, we need to provide our employees with the technology, tools and training they will need to successfully perform their jobs as we move to address the uncertainties of this next decade.



Unlike our four other strategic goals that address SSA's core functional responsibilities, this goal addresses the Agency's most important asset – the employees of SSA and the DDSs. The focus of this goal is to ensure that SSA continues to have the highly skilled, high performing and highly motivated workforce that is critical to achievement of our mission. It also reflects SSA's conviction that employees deserve a professional environment in which their dedication to the SSA mission and to their own goals can flourish together.

While not all FY 2001 APP goals were met, our FY 2001 performance was consistent with overall performance levels in FY 2000. The Agency performed well in the areas of management development programs and staff development programs, and met essentially all of its FY 2001 goals relating to the physical environment.

The discussion of this strategic goal in SSA's latest strategic plan "*Mastering the Challenge*" clearly reflects the evolution of SSA's planning with respect to SSA and DDS employees and SSA's understanding that investing in human resources issues will be critical to SSA's ability to manage the challenges of the next decade.

Moreover, our FY 2002 APP, published in April 2001, clearly recognizes that a crucial challenge that SSA will face over the coming years is the "retirement wave." As large numbers of experienced employees start to retire, SSA must prepare to replace these losses. Our estimates show that retirements will peak in 2007-2009, at the same time SSA will be facing explosive growth in workloads as the "baby boom" generation ages. Tightening job markets will make it more difficult to attract and retain new, talented employees, particularly in the information systems and other highly technical fields. Flexible benefits and workplace options, in addition to a competitive salary schedule, will be critical for attracting excellent employees. SSA must become an employer of choice in this environment.

SSA is already taking a number of actions to address these challenges and we continue to identify process changes and supporting activities that will aid our success. Beginning in FY 2002, the performance indicators under this strategic goal will evolve to reflect those actions and SSA's commitment to make critical strategic investments in its human resources infrastructure.

**Key Performance Indicator 12:**

**Complete Agency plan for transitioning to the workforce of the future** (*This performance indicator has two goals for FY 2001.*)

**FY 2001 Goal 1: Implement and update transition plan**

**Our FY 2001 Performance:** We met our goal.

The SSA Future Workforce Transition Plan was published on June 5, 2000 and covers a 5-year period, FYs 2000-2004. The plan includes what we expect to happen in the future, what the effects will be on SSA's workforce needs and what actions will be taken to transition from the workforce we have today to the workforce we will need in the future.

During FY 2001 we succeeded in implementing many of the actions in the plan, and others are scheduled for future years. Among our most significant accomplishments, we have:

- Obtained special authority and hired annuitants to fill critical needs;
- Increased our use of incentives to recruit and retain employees;
- Taken actions to eliminate delays in filling positions;
- Expanded our career development programs to develop leadership and other employee skills;
- Modernized our training delivery tools allowing employees to receive training electronically at their desktops or through interactive video teletraining;
- Expanded family-friendly services such as childcare and eldercare; and
- Issued quarterly updates on progress and changes to both management and the union.

We will update our Future Workforce Transition Plan in FY 2002 and annually thereafter. Additionally, in FY 2002 changes resulting from the development of SSA's long-range service vision will be incorporated in a fully revised Transition Plan. The changes flowing from the long-range vision may have important implications for our future workforce needs. We will also implement specific actions in the plan, including developing additional incentives to recruit and retain employees in hard-to-fill positions, developing and producing new recruitment materials and continuing to enhance the leadership competencies of our managers and employees.

### **FY 2001 Goal 2: Develop and implement action items from employee survey**

**Our FY 2001 Performance:** We met our goal.

SSA is using an employee survey to understand employee satisfaction with the work environment and to capture employee perceptions of whether they believe they have the tools and support to provide world-class service to the public. This information is important because of the strong and direct link between employee satisfaction and productivity, and public satisfaction.

A test of the survey process was completed and the results presented to SSA Executive Staff in March 2001. SSA management successfully concluded union negotiations in August 2001, clearing the way to train managers, supervisors and union representatives in the pilot areas. The training sessions began in early September 2001. However, the sessions scheduled for the latter part of September had to be rescheduled for November 2001. The work-team discussions to develop action plans will begin shortly after the training is completed.

SSA's intent is to conduct an employee survey that combines survey design, data collection, analysis, training and work-unit level discussions and action planning into one program. The 12 core questions used on the survey have been validated to show a strong correlation between employee response and productivity, performance and service. Using the information learned from the pilot, decisions will be made as to whether a survey of all employees will be conducted in FY 2002.

**Data Definition:** We will meet this goal if we: 1) Implement and update transition plan, and 2) Develop and implement action items from employee survey.

## ***Strategic Goal: To strengthen public understanding of Social Security programs***

We have a responsibility to the American people to ensure that they understand the benefits available to them under the Social Security programs. An understanding of our programs, the financial value of those programs, and basic financing issues regarding Social Security can help people plan more effectively for their own financial future.

Over the next few years, Social Security will continue to be at the forefront of the national agenda. Educating the public about our programs has been, and will continue to be, a priority for this Agency. It is critical for Americans to understand the Social Security program of today if they are to help shape the Social Security program of tomorrow.



Public understanding of Social Security's programs also is a key factor in how satisfied the public is with our service and may actually improve that service. It may lead to increased timely filings for benefits and more complete applications. Increased knowledge could also reduce unnecessary contacts with SSA. Our FY 2001 administrative expenses in support of this goal were \$68 million.

In FY 2000, we substantially exceeded our annual goal of 65 percent by attaining a 75 percent rate of public knowledge. While data on the percent of the public knowledgeable about Social Security programs in FY 2001 is not yet available, we anticipate that we will meet our goal of 75 percent because of our success in mailing *Social Security Statements*, discussed below, to workers age 25 and older who are not receiving Social Security benefits. Our success is due in part to the expansion in the number of public affairs professionals in SSA's field structure and the increased public affairs activity by field office managers, which permitted more and better-targeted information to be directed to members of the public. In addition, in FY 2000 and 2001, the educational impact of the *Social Security Statement* likely reached its peak.

There are several environmental conditions that could have an effect on future goal achievement. Experts have suggested that we may have received the maximum educational benefit from the nationwide issuance of the *Social Security Statement*. We expect to continue to use it as a primary tool for maintaining the knowledge levels of the mainstream population and to refine it to ensure its continued utility, but we do not expect to see a future major rise in knowledge due to the *Statement*. We did begin a series of strategies targeted at various segments of the population who know the least about Social Security. Devoting resources to this education effort may have had, and may have in the future, a negative effect on the knowledge of the overall population, although we expect to raise levels of knowledge among the targeted segments. A series of localized studies showed that additional attention and resources devoted to public affairs activities could have a measurable effect on public knowledge.

Because our ultimate goal is considerably greater than our objective for FY 2001 or FY 2002, we have already changed our strategies in an effort to increase our likelihood of achieving our FY 2005 goal of 90 percent. One major change has been to begin this year surveying enough individuals to ensure that we have statistically valid performance information at the local office service area level. We believe that this improvement in the measurement system will have a dramatic impact on goal achievement. Other major strategic changes can be found in our national communications plan, as summarized in the FY 2002 APP. We note that experts have advised us that our ultimate goal of 90 percent knowledge may not be achievable, so we have reduced the size of the incremental growth in our annual performance objectives over the plan horizon. We have chosen for now to keep our ultimate objective at the 90 percent level because of the importance we place on educating the

public about Social Security. However, we may reconsider that decision when we find out our performance level for FY 2001 and reevaluate environmental factors.

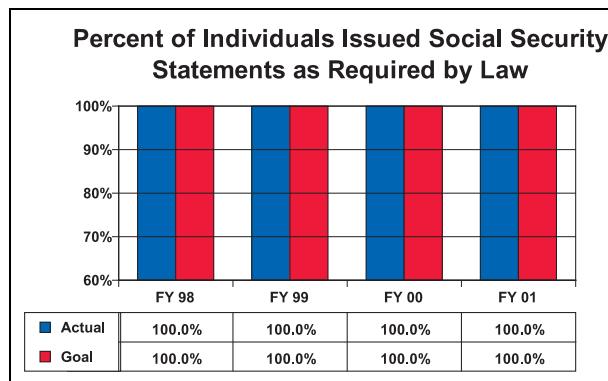
An evaluation of the performance measure itself was undertaken by an independent contractor under contract to SSA's Inspector General. We have not yet received the evaluator's final report, although early information indicates that the reported FY 2000 results of the performance measure tested were reasonably stated. We will consider carefully any recommendations made for improvement to the measurement system and refine it accordingly.

In summary, we are now well positioned to maintain a reasonable level of public knowledge in the face of resource challenges and new, possibly confusing messages about the programs coming from different quarters of society. We have created strategies to focus on raising the level of knowledge among the more difficult-to-reach segments of the population. Our communication activities include traditional and innovative means to ensure that the public's knowledge of SSA's programs and services is up-to-date.

**Key Performance Indicator 13:**

**FY 2001 Goal: 100 percent**

**Our FY 2001 Performance:** We met our goal of 100 percent. The Agency's earnings and benefit estimate statement plays a key role in helping Americans understand Social Security and its importance to them and their families. The *Social Security Statement* is a four-page document that focuses on the worker's individual record. It provides general information and explanations to help workers' understand their personal data and we tell them how to contact us if they have questions. The *Statement* can help recipients prepare for financial needs when they retire, if they become disabled, or if they die and leave survivors.



In accordance with Section 1143 of the Social Security Act, SSA's goal is to annually issue 100 percent of all *Social Security Statements* that are due to be issued subject to eligibility requirements and the availability of current mailing addresses.

In FY 2001, we continued to meet our annual goal, by issuing 135,624,325 *Statements* automatically and 1,071,307 *Statements* on request. Statements are automatically issued to workers about three months before their birthday. The number of requests for *Statements* fell in FY 2001 as expected, since most workers have been getting annual *Statements* for two or three years. The achievement of the FY 2001 goal is not expected to have a significant impact on achievement of the goal in future years. We have no reason to believe that we will not continue to achieve a 100 percent level of performance.

**Data Definition:** As required by law, in FY 2000 SSA began to issue annual Social Security Statements to all eligible workers age 25 and over. We estimate that we will issue 136 million statements in FY 2003 to meet this requirement, including statements issued upon request.

**Data Source:** Social Security Statement Weekly Summary Report found on the Executive and Management Information System.

## Data Quality

General Discussion: We are committed to providing data that is valid and reliable to those who use it for decisionmaking. We continuously improve the data clarity and credibility of our intended and actual performance data for all our mission-critical areas. We do this through effective, internal SSA management and by being responsive to insights provided by others such as the General Accounting Office (GAO) and SSA's Inspector General (IG).

Program Performance Report: This Performance and Accountability Report (PAR) displays the data definitions and data sources for each of our performance measures and discloses identified data weaknesses and SSA's efforts to correct/address such weaknesses. Where we could not define performance goals for indicators in an objective/quantifiable form, we established descriptive statements to tell how we considered the goal to be achieved. While the majority of our data sources are internal to SSA, the IG and the GAO audit and evaluate the validity and credibility of our data. Such reviews and assessments ensure that our systems are secure and not vulnerable to manipulation by intruders, and confirm our confidence in the reliability of our performance data.

Highlights from these reviews, as well as other security reviews are discussed below.

SSA Data Integrity Systems and Controls: Performance data for our APP's quantifiable measures, including the budgeted output measures, are generated by automated management information and workload measurement systems, as a by-product of routine operations. The performance data for several process accuracy and public satisfaction indicators comes from surveys and workload samples designed to achieve very high levels (usually 95 percent confidence level) of statistical validity. Our Office of Quality Assurance and Performance Assessment (OQAPA) reviews a stratified sample of recently completed actions and of ongoing entitlement rolls to determine the accuracy of SSA payments and service transactions. These reviews are initiated just after the close of each fiscal year. Quality assessment reviews require that each selected case be re-developed. Results from the re-developed cases are entered into a data base, validated, analyzed and a final report is then prepared. This process generally takes about 9 – 12 months to complete, which is why availability of actual data on accuracy performance measures is delayed.

Audit of the Social Security Administration's FY 2000 Financial Statements: In accordance with the Chief Financial Officers' Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers (PwC). The objective of this audit was to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. PwC reported that SSA's assertion that its systems of accounting and internal control are in compliance with the statutory internal control objectives is fairly stated in all material respects. Further, the audit stated that SSA made significant progress in correcting one reportable condition from the FY 1999 report, and that it is no longer a reportable condition. However, the audit did cite one reportable condition in SSA's internal control. The control weakness was that "SSA needs to further strengthen controls to protect its information," was also cited by the GAO and IG as a major management challenge.

To address this reportable condition, the Agency has taken a number of corrective actions. We conducted a number of risk assessments of all platforms (mainframe, midrange and distributed) and determined the preferred setting for each platform. We are in the process of implementing those settings entity-wide, and implementing both manual and automated monitoring techniques to ensure compliance. Vulnerability assessments of the Social Security Number Establishment and Correction System, the Earnings Record Maintenance System and the Title II Redesign System were completed by a contractor in July 2001. We initiated a vulnerability assessment of key assets as required by Presidential Decision Directive 63, and in July 2001 completed a vulnerability assessment of SSA's National Computer Center. The Agency continues to reassess security roles and responsibilities as part of the ongoing reevaluation of the overall organization-wide security framework.

Role of the Office of the Inspector General (OIG): The OIG plays a key role in assuring that our data systems for measuring performance are reliable. They evaluate the processes and systems being used to measure progress in each measured area, so as to assure that they provide reasonable assessments of performance. In FY 2001, the OIG reviewed the performance measures in our FY 2000 APR and FY 2001 APP. They reported that “SSA’s FY 2001 APP represents SSA’s strong commitment and evolving progress to meet the objectives of the Government Performance and Results Act (GPRA). The APP responds to many of the criticisms about previous plans”.

We take appropriate action to correct any performance measure deficiencies reported in the OIG’s audit findings. These actions may include disclosure of data limitations or weaknesses, changes in performance measures, improvements to or additions of data collection systems, or some combination thereof.

For example, in response to an OIG recommendation, SSA agreed to: 1) Maintain three years of data to support the number of individuals selectable for CDRs; and 2) develop a new indicator to measure “Percent of CDRs completed when due and selectable” beginning in FY 2003. We also complied with the OIG recommendation to change the definition for our performance indicator “Percent of earnings posted correctly,” so as to disclose that correct postings to the Earnings Suspense File (ESF) are included in the universe of earnings counted as “posted correctly.” Earnings are correctly posted in the ESF when they cannot be posted to an individual’s earnings record because there is a mismatch with the name and/or SSN. A third example of how we respond to OIG’s audit recommendations to disclose data weaknesses, our definition for the performance indicators on waiting times in field offices now explains that the data are collected from a representative sample of field offices during a one hour window, once a quarter. In addition to merely disclosing the data weakness, the Agency has instituted an automated data collection methodology that eliminates a number of concerns associated with the previous manual data collection process.

The OIG uses a four-point approach to reviewing our performance measures. They:

1. Assess SSA’s system capacity to produce performance data;
2. Assess whether reported performance measure data is valid;
3. Ensure that SSA has the appropriate measures to indicate the vitality of its programs; and
4. Ensure that the performance measures fully capture the program segments that they are intended to capture.

In its designation of “GPRA” as a major management challenge facing SSA, the OIG recommended that we include more information on “budgeted output measures” in our APP. Accordingly, beginning with our FY 2002 APP, we added the definitions and data sources of each output measure as well as historical performance. These definitions and data sources are also included in our PAR beginning with FY 2001.

Despite our best efforts, there were some weaknesses in the data used to measure the performance of our hearings process. The OIG found data weaknesses in the Hearing Office Tracking System (HOTS). To address their recommendations, we agreed to review the hearings process from the initial in-take through input into HOTS, to ensure that data within HOTS is complete, accurate, and input timely. Additionally, we agreed to establish consistent quality reviews of the data within HOTS. Finally, we agreed to provide training to staff members responsible for HOTS data management, to ensure consistent and accurate data entry into HOTS.

General Accounting Office (GAO) Reviews: The “Social Security Administration: Status of Achieving Key Outcomes and Addressing Major Management Challenges” document is the GAO’s assessment of our FY 2002 APP and FY 2000 APR. This report focused on our progress in achieving five key outcomes:

1. Providing timely, accurate, and useful information and services to the public;
2. Making disability determinations more timely and accurately;
3. Reducing long-term disability benefits because people return to work;
4. Providing timely information to decisionmakers to address program policy issues such as long-term trust fund solvency; and
5. Reducing fraud, waste, and error in the Supplemental Security Income program.

The GAO found that: “SSA’s current strategies generally provide a clear picture of its future plans to achieve the five key outcomes.” Additionally, the GAO noted that we added baseline data, definitions and data sources for our major budgeted workloads, and an appendix that illustrated planned program evaluations for Strategic Goals.

However, the GAO indicated that measures for the 800-number service do not provide a meaningful measure of customer wait time because the time spent on hold to speak with a call agent is not reflected. We agreed, and are concluding a benchmarking study to identify appropriate metrics used in industry, but have not yet finalized a recommendation. If, and as appropriate, we will move to improved performance measures in FY 2002.

Additionally, the GAO criticized us for deleting two output measures – disability and hearings pending in the FY 2002 APP. These two measures will be included in SSA’s FY 2003 APP.

Office of Quality Assessment: PwC conducted an independent audit of SSA’s FY 2000 financial statements under the oversight of SSA’s IG. The new PwC contract for FY 2001 is directly with SSA.

In PwC’s FY 2000 Management Letter, the private consulting firm found that “SSA has established preventive and detective controls to ensure accurate payments to beneficiaries. Two of the main detective controls are the Index of Dollar Accuracy review and the Stewardship review. Through these reviews, SSA successfully confirms the accuracy, and in certain cases the inaccuracy, of benefit payments. When payment discrepancies are identified, the appropriate Program Service Center or field office is notified to follow-up on the matter.” PwC testing confirmed that these notifications were being sent.

The fact that SSA does not strictly rely only on its internal processes was documented on page 104 of SSA’s FY 2000 Performance and Accountability Report where it states that, not only does SSA have both “a comprehensive program of conducting reviews of management and security controls in both SSA’s administrative and programmatic processes” but “also discussed are the results of the audit of FY 2000 financial statements and internal controls by PwC. Such reviews and assessments assure that our systems are secure and confirm SSA’s confidence in the reliability of its performance data.”

Coordinated Agency Evaluation Plan: Each fiscal year, we develop a coordinated Agency Evaluation Plan. Our components involved in evaluation, including the OIG, conduct a joint review of evaluation work plans, to assure an appropriate match between planned evaluation activities and Agency priorities. They identify and address any information gaps and eliminate any overlap or duplication. A summary of evaluations completed by SSA in FY 2002 is in the “GPRA Performance Results/Program Evaluation” section of this report.

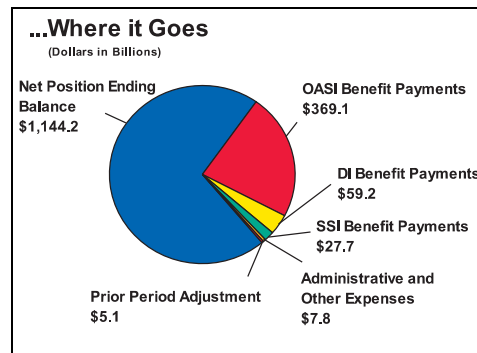
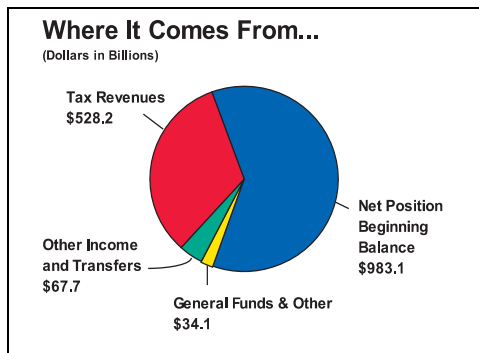
# Highlights of SSA's Financial Position

## Overview of Financial Data

SSA's financial statements and footnotes, appearing on pages 65 through 85, received an unqualified audit opinion for the eighth consecutive year. The financial statements presented in this report and the financial data derived from those financial statements can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers.

**Balance Sheet:** The Balance Sheet displayed on page 65 reflects total assets of \$1,198.3 billion, a 16 percent increase over the previous year. This increase is attributable to the steady growth of the OASDI Trust Fund Reserves which were invested to generate \$70.9 billion of interest income, an increase of about \$8.7 billion compared to FY 2000. Of these \$1,198.3 billion in assets, 98 percent are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The majority of our liabilities, 80 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.

**Statements of Net Cost and Changes in Net Position:** The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2001 and how these funds were used. These statements are displayed on pages 66 and 67, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown, as a percent of benefit expenses, is 1.6 percent.



**Statement of Budgetary Resources:** This statement provides information about the provision of budgetary resources and their status as of the end of the period. This statement displayed on page 68 shows that SSA had \$480.3 billion in budgetary resources of which \$2.8 billion remained unobligated at year-end. SSA recorded total outlays of \$451.0 billion by the end of the year.

**Statement of Financing:** This statement demonstrates the relationship between an entity's proprietary and budgetary accounting information. It links the net cost of operations (proprietary) with net obligations (budgetary) by identifying key differences between the two. This statement displayed on page 69 identifies \$455.1 billion of resources used to finance activities, \$13.5 billion of resources not part of the net cost of operations and \$5.0 billion of components of net cost of operations that will not require or generate resources in the current period.



**Statement of Custodial Activity:** This statement is required for entities that collect non-exchange revenue for the General Fund, a Trust Fund or other recipient entities. SSA's Statements of Custodial Activity displayed on page 70 reflects \$1.5 billion of collections for the repayment of SSI benefit overpayments deposited in the General Fund of the Treasury. According to the FY 1991 Appropriations Act, Public Law 101-517, SSA shall not use these collections as a budgetary resource to pay SSI benefits or administrative costs.

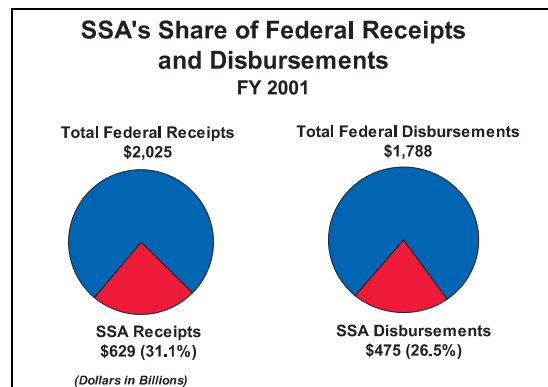
**Trust Funds:** The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis if the asset level at the end of a fiscal year is sufficient to cover at least 1 year's worth of outgo in the absence of other income such as payroll taxes. The following table shows that the number of months of expenditures that combined year end OASDI assets can pay has grown from 20 months at the end of FY 1997 to 31 months at the end of FY 2001, a 54 percent increase.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	1997	1998	1999	2000	2001 <sup>1</sup>
<b>OASI</b>	20.6	23.2	25.9	28.7	31.7
<b>DI</b>	15.4	17.7	19.9	22.9	25.5
<b>Combined</b>	20.0	22.5	25.1	27.9	30.8

1. Estimates are based on 2001 Trustees Report intermediate assumptions.

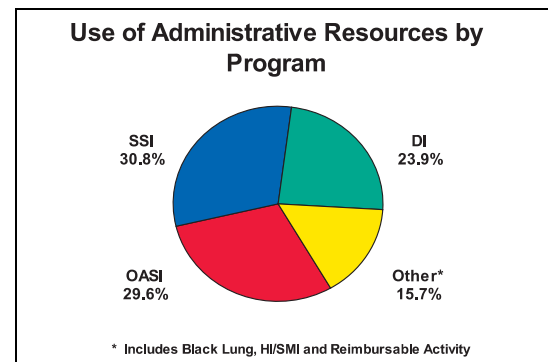
**SSA's Share of Federal Operations**

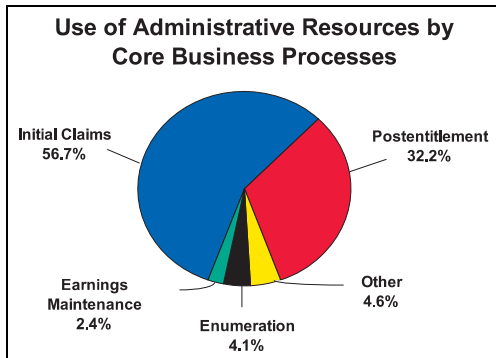
The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Our programs accounted for 26.5 percent of the \$1.8 trillion FY 2001 Federal disbursements and 31.1 percent of the \$2.0 trillion Federal receipts. In fact, our disbursements accounted for 5.1 percent of the nations estimated FY 2001 \$9.3 trillion gross domestic product.



**Use of Administrative Resources**

The chart to the right displays the use of administrative resources in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise less than 20 percent of the total benefit payments made by SSA, they consume nearly 55 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits.





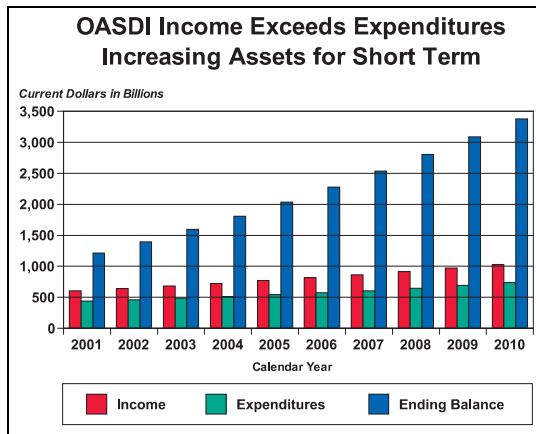
The Agency’s administrative resources can also be discussed in terms of the work functions being performed in support of our programs. The chart to the left shows the percentage of resources consumed by SSA’s five core business processes.

**Short Term Impact on SSA’s Financial Position**

The Social Security Trust Fund is deemed adequately financed for the short term when actuarial estimates of assets meet or exceed outlay estimates in each year of the next decade.

Estimates in the 2001 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years, having sufficient assets to pay full benefits until 2038. The table below shows that while combined OASDI expenditures and income are expected to increase by 68 and 70 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 178 percent.

Pages 16 and 17 provide a discussion of the long term solvency of the OASDI Trust Fund. Pages 91 through 110 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, *Accounting for Social Insurance*.



**Limitation on Financial Statements**

The financial statements beginning on page 65 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515(b);(2).

While the statements have been prepared from the books and records of SSA in accordance with formats prescribed by the Office of Management and Budget (OMB), the statements are different from 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. One implication of this is that liabilities can not be liquidated without legislation that provides resources to do so.

## *Systems and Controls*

### **Federal Managers' Financial Integrity Act (FMFIA) Program**

SSA implemented an agencywide management control and financial management systems program as required by FMFIA. The Agency accomplishes the objectives of the program by:

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

Managers throughout the Agency are responsible for ensuring that effective controls are implemented in their areas of responsibilities. At the senior manager level, the Agency's Executive Internal Control Committee ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. The Committee provides executive oversight of the management control program, addresses management control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan.

The Agency ensures that effective controls are incorporated into its processes and financial management systems by addressing the issue up front in the life cycle development of processes and systems. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by the different levels of management that certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective. The Agency is in the process of replacing its core financial management system and this life cycle process is being strictly followed. The target date for implementation of the new system is October 2003.

Once implemented, the controls of the new or changed processes or systems are monitored to ensure they remain effective. Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA, Federal Financial Management Improvement Act, Paperwork Reduction Act, Computer Security Act and OMB Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events, debt management and SSA's financial management systems.

### **FMFIA Assurance Statement Fiscal Year 2001**

**On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal controls are in compliance with the internal control objectives in Office of Management and Budget Bulletin Number 01-02. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.**

  
Commissioner of Social Security

SSA develops and implements corrective action plans for weaknesses found through its management control reviews and financial management systems reviews and tracks the corrective actions until the weaknesses are corrected. The staffs in the Centers for Security and Integrity in the Regional Offices monitor the status of corrective actions resulting from management control reviews of field activities and Headquarters staff monitor the status of corrective actions resulting from financial management systems reviews. The status of corrective actions is periodically updated and reported to SSA executives, as appropriate.

#### **Management Control Review Program**

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each FY. The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 2001, SSA's managers and contractors conducted reviews of 1,681 management control areas in 210 FOs and staff components.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. During FYs 1999-2001, the contractor reviewed operations at SSA's central office, processing centers, all 10 Regional Offices (RO), 100 FOs and 4 Program Service Centers (PSC). The contractor's efforts to date have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements. They have not found any significant weaknesses during that 3-year period. During FY 2002, the contractor will concentrate effort on SSA's ROs, FOs and PSCs.

#### **Financial Management Systems (FMS) Review Program**

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

During FY 2001, SSA's contractor conducted detailed reviews of the Social Security Number Establishment and Correction System, the Earnings Record Maintenance System and the Title II Redesign project. The systems managers conducted limited reviews of the Debt Management System and the Recovery of Overpayments, Accounting and Reporting System. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with management control and security standards, accounting principles and standards, and information resources management standards prescribed by law, Federal regulations and the Federal Accounting Standards Advisory Board.

#### **FMFIA Material Weakness**

During FY 2001, SSA did not declare any new material weaknesses under FMFIA. SSA continues to make progress in correcting the one remaining FMFIA material weakness that relates to the accuracy of accounting records for Supplemental Security Income (SSI, title XVI of the Social Security Act) overpayments and underpayments for the Aged, Blind and Disabled.

During FY 2001, SSA implemented two projects to help clear this weakness. First, SSA implemented 16 new SSI overpayment and underpayment screens. These new screens are an extension of SSA's efforts to enhance the Modernized Supplemental Security Income Claims System (MSSICS) by providing an online system to input overpayment and underpayment transactions. These screens save an estimated 31 workyears annually, representing an

administrative cost avoidance of about \$3.4 million each year. Also, these screens capture due process information on overpayments which is used in aging delinquent debts and reporting delinquent debt information to the Department of the Treasury (DT). Second, SSA implemented a second release of the SSI Modernized Overpayment and Underpayment Reporting System (MOURS) that produces the SF 220.9, Report on Receivables Due from the Public, required by DT.

In addition to these accomplishments, SSA completed a corrective action review (CAR) of three projects previously implemented. These projects involved: (1) Automating overpayment transfers to newly established records for recovery; (2) recording special codes on SSRs to remove inaccurate overpayment and underpayment data from program accounting totals; and (3) implementing MOURS Release 1 to accurately account for and report SSI overpayments and underpayments. An independent public accounting firm conducted the review and concluded that, in relation to SSA's systems requirements, these projects were implemented as intended. SSA will use this report as one basis to clear the material weakness and will conduct a second CAR in FY 2002 on the new MSSICS overpayment and underpayment input screens and MOURS Release II.

SSA expects to complete corrective actions for this weakness by September 30, 2002. This is a one-year deferral from the target date cited in last year's report. This deferral was necessary for SSA to improve the SF 220.9 by reporting debts referred to DT for offset.

#### **Determination of Compliance with the Federal Financial Management Improvement Act (FFMIA)**

On August 31, 2001, the Acting Commissioner of Social Security determined that SSA's financial management systems were in substantial compliance with FFMIA for FY 2000. In making this determination, he considered all the information available to him, including the auditor's opinion on the Agency's FY 2000 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. He also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor and the progress made in addressing the weaknesses identified in the audit and review reports. That progress is discussed in the section below entitled "Audit of Financial Statements."

Under Section 803(c)(2) of FFMIA, the determination for FY 2001 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the management letter report(s) for FY 2001 in January 2002.

#### **Government Information Security Reform Act (GISRA)**

SSA has completed its annual review of its Information Security Program for FY 2001 as required by GISRA. This report is based on an annual program review completed by SSA and an independent evaluation by the Office of the Inspector General (OIG).

For its GISRA assessment, SSA used as a base the National Institute of Standards and Technology (NIST) Self-Assessment Guide for Information Technology Systems. SSA used in-house staff as well as an independent public accounting firm to complete its independent program review. The contract task involved review of the assessment instrument completed by SSA, review of supporting documents provided and interviews with SSA staff responsible for respective portions of the questionnaire.

In its report, the contractor concurred with the results of SSA's self-assessment, stating that SSA's effort "clearly fulfills the letter as well as the 'spirit' of the governing assessment policy." The review also identified several instances where it was felt that SSA could raise its self-score based

on the improvements made over time and the strength of the documentation provided – these areas include consequence assessment, personnel security, physical security and several specific technical control objectives.

Additionally, the contractor stated that “*Security is strongly integrated with SSA’s business processes and organizational culture*”, “*Mature administrative and technical review mechanisms are in place that provide for ‘continuous improvement’ of existing security processes,*” and “*The seamless integration of security into the Systems Development Life Cycle (SDLC) process stands out as an overall programmatic strength.*” In the GISRA report, SSA made a commitment to share experience with other government agencies and organizations, so that SSA efforts can benefit to government as a whole. This has included providing speakers for conferences and meetings and contributing to the CIO Council “best practices” effort.

The independent review by the SSA Inspector General (IG) observed that SSA self-review and contractor verification did not test controls, and that several areas remained where improvement was possible. SSA did not agree with the OIG findings, noting that GISRA does not envision or require the testing of controls, and that actions were already underway to improve the items identified.

At the conclusion of its executive summary, the IG said “*We acknowledge SSA has made strides in its information protection efforts. The establishment of a Critical Infrastructure Protection program, the creation of an incident response team, the completion of Project Matrix Step I, and the Agency’s willingness to share information regarding common vulnerabilities with the Federal Computer Security Incident Response Capability, all indicate a culture of security awareness. SSA has the potential to be the unquestioned leader in the area of Federal information protection. The observations and recommendations made in OIG reports and other auditors’ reports will assist the Agency in reaching that goal. Through the collaborative efforts of Agency management and OIG, the challenge of protecting sensitive information can be accomplished.*”

### **Audit of Financial Statements**

For the last 5 years the OIG contracted for the audit of SSA’s financial statements. Each year the auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management’s assertion that SSA’s systems of accounting and internal controls were in compliance with OMB’s internal control objectives to be fairly stated in all material respects. Although the auditor, using OMB’s audit standards, identified reportable conditions involving internal controls beginning in FY 1997, none were identified as material weaknesses as defined by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02.

The audit of SSA’s financial statements and internal controls by an independent public accounting firm has proved to be a rewarding experience. In the audit report for FY 1997, the auditor identified five reportable conditions that were significant deficiencies in the design and operation of an internal control. SSA developed corrective action plans for the weaknesses and aggressively pursued those corrections. As a result, SSA’s internal controls have greatly improved over the past 5 years. Further, SSA is committed to pursuing the corrective actions until all weaknesses identified by the audits are corrected.

In the audit report for FY 1998, the auditor determined that SSA’s corrective actions had progressed to the point where two of the five original reportable conditions from FY 1997 were removed. There were no new reportable conditions identified. In the audit report for FY 1999, the auditor removed another reportable condition from prior years, and indicated that SSA continued to make significant progress towards correcting the remaining two reportable conditions. Again, the auditor

did not name any new reportable conditions. In the audit report for FY 2000, the auditor removed another reportable condition, leaving only one reportable condition. The remaining reportable condition is that “SSA needs to further strengthen controls to protect its information.”

In the audit report for FY 2001, the auditor again recognized a reportable condition that SSA needs to further strengthen controls to protect its information. The auditor indicated that SSA continued to make progress in addressing the information protection issues raised in prior years. Four of the six main issues raised in FY 2000 dealing with data protection had been adequately addressed by the Agency. The improvements that the auditor noted included the identification of critical assets and vulnerabilities as part of the critical infrastructure protection program, the issuance of security policy for the State Disability Determination Services, the establishment of technical security configurations standards for various systems platforms, the completion of accreditation and certification of key systems and strengthening physical access controls over the National Computer Center. The auditor recommended, as the next logical step for improvement, that SSA implement, enforce and monitor the security configuration standards throughout the SSA environment. In addition, they recommended that SSA improve its monitoring for security violations and periodic review of access assignments and firewall logs. SSA will continue to strengthen the protection of data by making the recommended improvements as quickly as possible.