

A Message from the Commissioner

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



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

Serving the American People

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

Good Stewards of Taxpayer's Money

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

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

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

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

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

President's Management Agenda

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

Performance and Financial Data

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

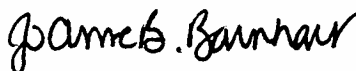
In addition, the Agency has evaluated its management controls and financial management systems as required by the Federal Managers' Financial Integrity Act of 1982. On the basis of our comprehensive management control program, I am pleased to certify with reasonable assurance that the Agency complies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

Strengthening Solvency for Future Generations

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

Dedicated and Talented Staff

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



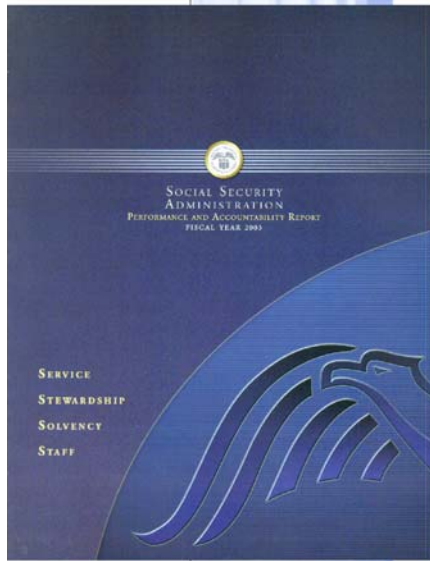
Jo Anne B. Barnhart
November 10, 2004



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In recognition of your outstanding efforts preparing SSA's Performance and Accountability Report for the fiscal year ended **September 30, 2003**.

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

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information to the financial statements and is designed to provide a high level overview of the Agency. It provides a description of who we are, what we do and how well we meet the goals we have set. The Message from the Commissioner is part of the MD&A.

The Overview of SSA section highlights SSA's mission as set forth in the Agency's Strategic Plan (ASP). This section also discusses the major programs we administer: the Old Age and Survivors Insurance and the Disability Insurance programs (commonly known as Social Security) as well as the Supplemental Security Income program and provides a discussion of the Agency's organization.

Following the Overview of SSA section is a discussion of the challenges that SSA has faced over the past year and will be facing in the future. The Performance and Accountability Report (PAR) would not be complete without providing a summary of the issues the Agency faces now and will face over the next five years, as well as the activities and strategies in place to deal with them. These challenges are based on the Major Management Challenges currently designated by the Government Accountability Office and SSA's Office of the Inspector General. The challenges are aligned with the nine strategic objectives outlined in the Agency Strategic Plan.

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in the Strategic Plan. In March 2004, the Agency provided Congress with its FY 2005 Annual Performance Plan (APP) and Revised Final FY 2004 APP, which brought the Agency's strategic goals, objectives and performance measures in line with the Strategic Plan. The Performance Goals and Results section provides the Agency's progress in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2004, SSA used 45 distinct GPRA performance measures to manage and track Agency progress. The performance measures focus on SSA's most critical challenges and areas in need of improvement. Of the 45 performance measures, 17 were selected as Key Performance Indicators, which the Agency believes best tell the story of its efforts to address the most critical challenges. The remaining FY 2004 GPRA performance measures and their targeted performance and results may be found in the Performance Section of the report under GPRA Performance Results.

In addition to discussing program performance, the MD&A also addresses our financial performance. The major sources and uses of SSA's funds, as well as the use of these resources in terms of both program and function, are explained. A summary of our progress in reducing improper payments is also included.

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