

# A Message from the Commissioner

Few Agencies benefit and touch the lives of as many of our Nation's people as does the Social Security Administration (SSA). Through retirement or disability benefits or Supplemental Security Income (SSI) payments, Social Security is able to contribute to the economic security and stability of individuals and families during their most vulnerable times. The people of America, who fund the Social Security program through their tax contributions and the SSI program through their income tax payments, expect and deserve well-managed programs. The Agency takes very seriously this responsibility to ensure that only those entitled to benefits receive them.



It is with these thoughts in mind that I proudly present SSA's Fiscal Year 2006 Performance and Accountability Report (PAR). In addition to providing insight into the challenges we face, this report details our goals, objectives and performance results which hold the Agency accountable to its mission, **"To advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs."** Our strategic goals of **Service, Stewardship, Solvency and Staff** provide the framework to formulate and build our objectives and performance measures to support the mission of this Agency.

**To deliver high-quality, citizen-centered service.** Social Security is committed to providing the type of service that the American people expect and, more importantly, deserve. 2006 marks the 50<sup>th</sup> anniversary of the enactment of the Social Security Disability Insurance program. This program provides protection for workers and their families against the uncertain and often devastating effects of disability. When I became the Commissioner of Social Security in 2001, I made a commitment to reduce the amount of time it took for a person to receive a decision on a disability claim or appeal. In response, Social Security launched the Electronic Disability process which has resulted in a significant reduction in the amount of time it takes to process claims for disability benefits. The Electronic Disability process is also the foundation for the new Disability Service Improvement regulations that became effective in August 2006. We started a gradual implementation of this new Disability Service Improvement process in three states; and as we gain experience with these new changes, the process will be gradually implemented in other states. In our core services as well as with our disability program, the Agency continually strives to find cost-effective means for providing excellent service.

**To protect the integrity of Social Security programs through superior stewardship.** We take pride in fulfilling our responsibility to preserve and carefully manage the resources, assets and programs entrusted to us and we are committed to strong and vigilant financial management. Since 1994, Social Security has received an unqualified opinion on its financial statements. Again this year, Social Security received an unqualified opinion on our consolidated financial statements from our independent auditors, including the Statement of Social Insurance which was audited for the first time this year. The independent auditors also reported no material weaknesses in internal controls or material instances of noncompliance with laws and regulations. Given our history of sound fiscal practices, we were also successful in implementing the many new requirements effective for this year. SSA fully implemented the Office of Management and Budget Circular A-123 Appendix A on Management's Responsibility for Internal Controls. These efforts included Agency-wide involvement to extensively document and test the effectiveness of key internal controls over financial reporting. We are also proud that our Fiscal Year 2005 PAR received its eighth Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. Social Security holds the distinction of being the only Federal agency to receive this honor each year since the award program began.

As required by the Improper Payments Information Act of 2002, the PAR also provides information on the amount of improper payments made by the Agency, the causes behind those improper payments and the actions underway to reduce them. Although the Government Accountability Office removed the SSI program from its high-risk list in

Fiscal Year 2003, we are continuing our efforts to improve our management of this program across three fronts - improved prevention of overpayments, increased overpayment detection and increased collection of debt. The Social Security Administration's stewardship responsibilities require that the Agency recover as much debt as possible. Each one percent increase in payment accuracy in our SSI program alone equates to \$391 million of error prevented. Improving the financial integrity and management of all the Social Security programs we administer is an Agency priority. The Agency is unwavering in our commitment to the President's initiative in this area and to the congressional support reflected in the law. Our responsibility as stewards of the public trust demands no less.

**To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations.** SSA's role in the solvency issue is to educate the American public about Social Security's programs and finances and to provide support to Congress and the Administration to analyze and review legislative actions and policy alternatives that have the potential to impact the Social Security programs. We continually work with the public to inform them of SSA's mission, quality initiatives and outreach efforts so that all are educated about the strengths and challenges that face the Social Security benefit programs. Annually, we send to workers over the age 25, the Social Security Statement which provides valuable information about Social Security, a person's earnings record, and an estimate of their benefits. Also within this Report, we provide important data detailing facts and assumptions about SSA program finances and sustainability.

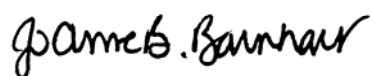
**To strategically manage and align staff to support the mission of the Agency.** I am proud of the exceptional dedication of the men and women of Social Security. Our employees share a deep commitment to finding better ways to be even more responsive to those who depend on our service and sound fiscal stewardship. Many of these dedicated public servants will be retiring soon and SSA, similar to other Federal agencies, will begin to feel the effects of the retirement wave. Thus, SSA has developed a human capital plan and strategies to ensure that a high performing workforce prepared to deliver the quality service the public deserves is in place.

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

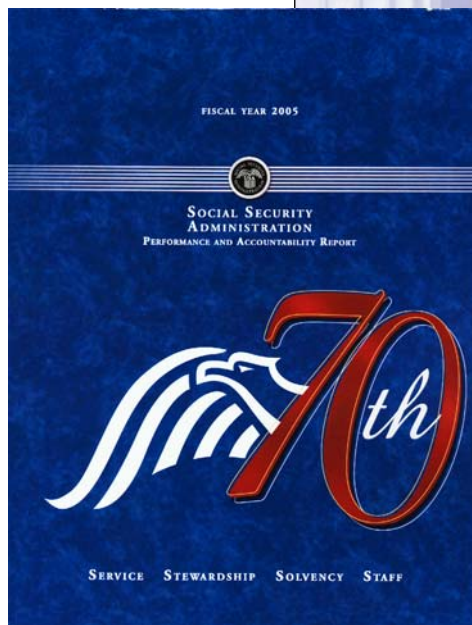
**President's Management Agenda.** Social Security is steadfast in its commitment to the goals and objectives as set forth by the President's Management Agenda. We are dedicated to achieving immediate, concrete and measurable results that benefit the public by maximizing our service to program beneficiaries and recipients, by being effective stewards of the taxpayers' money and by operating as efficiently as possible. Further discussion of SSA's progress with the President's Management Agenda initiatives may be found later in this Report.

**Performance and Financial Data.** 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. We are committed to providing complete, reliable performance data for managerial decision-making and oversight. In addition, our financial management systems are compliant with Federal law and our financial statements have received an unqualified opinion with no material auditor reported internal control weaknesses. Internal management controls designed to safeguard the integrity and quality of Social Security's data resources are in place that reflect the insights and directives provided by the Agency's Office of the Inspector General and the Government Accountability Office. More detailed discussions of the quality of both our performance and financial data may be found later in this Report.

As we look ahead, we will continue to do all that we can to meet the challenges facing us so that we can continue to provide the best quality service to the American public.



Jo Anne B. Barnhart  
November 7, 2006



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SSA's FY 2006 Performance and Accountability Report is available on the Internet at: [www.socialsecurity.gov/finance](http://www.socialsecurity.gov/finance)

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

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

Next, the MD&A discusses SSA's ability to achieve the four strategic goals contained in the Strategic Plan. In February 2006, the Agency provided Congress with its FY 2007 Annual Performance Plan (APP) and Revised Final FY 2006 APP, which brought the Agency's strategic goals, objectives and performance measures in line with the Strategic Plan. The Overview of Key Performance Indicators, Goals and Results section provides the Agency's progress in the context of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2006, SSA used 39 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 39 performance measures, 15 were selected as Key Performance Indicators, which the Agency believes best tell the story of its efforts to address the most critical challenges. These Key Performance Indicators are discussed in general terms and indicate whether the performance targets for FY 2006 were met. All of the FY 2006 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the Performance Section.

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

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

Finally, the Systems and Controls section of the MD&A provides a discussion of the actions SSA has taken to address our management control responsibilities. The Management Assurances within this section provides the Agency's assurances related to the Federal Managers' Financial Integrity Act and the determination of the Agency's compliance with the Federal Financial Management Improvement Act. Also addressed is the Agency's compliance with the Federal Information Security Management Act and a summary of our progress in reducing improper payments.