OTHER REPORTING REQUIREMENTS

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

Anti-Fraud Activities

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We list below the major entitlement reviews conducted by our agency:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of Disability Determination Services (DDS) determinations to measure the level of accuracy against standards mandated by the Regulations. We conduct these reviews prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the State DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Reviews					
	FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.9%	97.7%	98.3%	98.6%	98.4%
No. of cases reviewed	33,329	32,292	34,378	32,451	32,807
No. of cases returned to the DDSs due to error or inadequate documentation	1,028	729	601	445	524

Title II (DI) Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. For FY 2011, the following table shows that 97.4 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	97.3%	97.9%	97.8%	97.4%
No. of cases reviewed	307,884	338,440	356,956	378,712	390,480
No. of cases returned to the DDSs due to error or inadequate documentation	11,225	9,203	7,481	8,506	10,246

Title XVI (SSI) Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. For FY 2011, the following table shows that 97.9 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
% of State DDS decisions to allow not returned to the DDSs for correction	97.4%	98.1%	98.3%	98.4%	97.9%
No. of cases reviewed	80,784	105,203	114,645	124,045	124,401
No. of cases returned to the DDSs due to error or inadequate documentation	2,117	2,018	1,900	2,023	2,612

Continuing Disability Reviews

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. We show the accuracy of these CDRs in the following table.

CDR Accuracy					
	FY 2007	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
Overall Accuracy	95.6%	96.6%	97.7%	97.8%	97.7%
Continuance Accuracy	96.4%	97.6%	98.6%	98.4%	98.3%
Cessation Accuracy	93.5%	93.2%	94.8%	96.0%	96.0%

OASI and SSI Quality Assurance Reviews

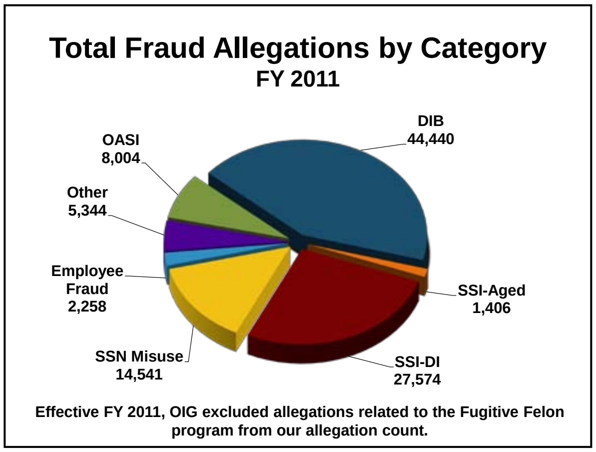
One of our four *Government Performance and Results Act* strategic goals is “preserve the public’s trust in our programs.” One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. We present a detailed discussion on the results of these reviews in the *Performance Section* of this report on pages 75–78.

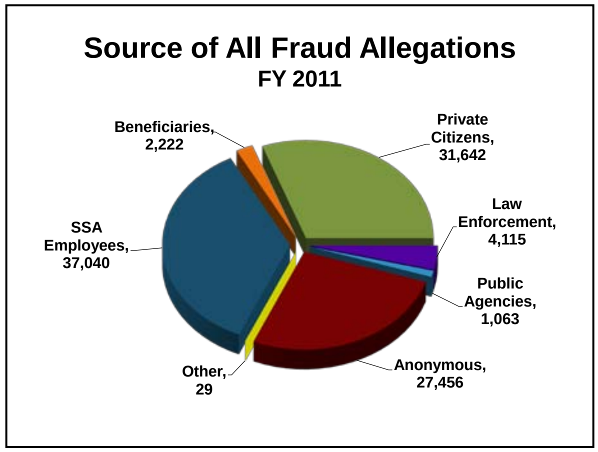
SSI Redeterminations

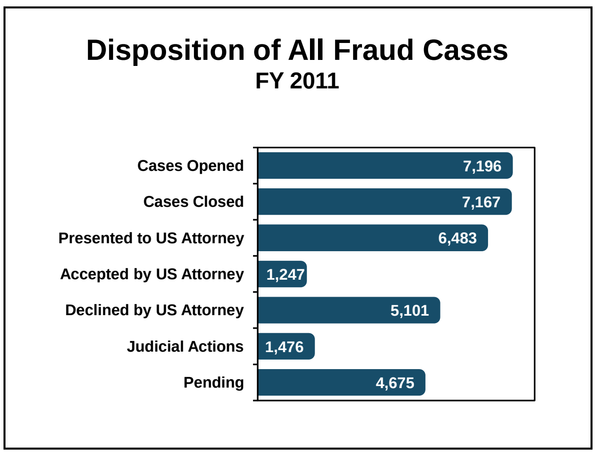
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in his or her circumstances may affect the amount or continuation of their benefits and thus we must reflect those changes in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that we paid the recipient the correct amount. We set a goal for the number of SSI redeterminations we would process in FY 2011. We present a detailed discussion on SSI redetermination performance in the *Performance Section* of this report on pages 72–73.

The Office of the Inspector General's Anti-Fraud Activities

In FY 2011, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse. The following charts summarize the OIG's involvement in fraud activities throughout the fiscal year.







Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of $368 and $424 million in FY 2010 and FY 2011, respectively, accounted for less than 1 percent of our total financing sources. We derive over 78 percent of user fee revenues from agreements with 23 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2011, we charged a fee of $10.56 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $10.94 for FY 2012. We adjust the user fee annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our review of fees during FY 2010, we identified changes in costs, which could affect current fees and agency activities for which we need to assess new fees. A review of these changes should result in a uniform fee structure for non-programmatic workloads. We are developing time studies to assist with determining the proper fee. We are planning to perform another review of these fees during FY 2012.

Debt Management

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the Financial Statements. We provide definitions of certain line items immediately following the Debt Management Activities Programmatic and Administrative Activity table. For more information on our agency's effort to collect overpayments, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

FY 2011 Quarterly Debt Management Activities
Programmatic and Administrative Activity

Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$15,265	$15,299	$15,943	$15,854
New receivables	1,247	2,741	4,738	6,102
Total collections	(866)	(1,746)	(2,655)	(3,633)
Adjustments	(86)	(400)	(591)	(809)
Total write-offs	(242)	(508)	(761)	(1,018)
- Waivers	(129)	(261)	(409)	(546)
- Terminations	(113)	(247)	(352)	(472)
Aging schedule of debts:				
- Non delinquent debt	10,748	10,838	11,444	11,190
- Delinquent debt				
- 180 days or less	1,299	1,209	1,224	1,283
- 181 days to 10 years	3,013	3,045	3,040	3,128
- Over 10 years	205	207	235	253
- Total delinquent debt	$4,517	$4,461	$4,499	$4,664

Debt Management Activities Programmatic and Administrative Activity					
Dollar Totals (in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total receivables	$14,254	$14,913	$15,000	$15,212	$15,854
New receivables	5,020	5,615	5,818	5,736	6,102
Total collections	(2,971)	(3,366)	(3,561)	(3,650)	(3,633)
Adjustments	(472)	(580)	(1,093)	(888)	(809)
Total write-offs	(986)	(1,010)	(1,077)	(986)	(1,018)
- Waivers	(443)	(443)	(475)	(497)	(546)
- Terminations	(543)	(567)	(602)	(489)	(472)
Non delinquent debt	10,745	11,176	11,030	11,055	11,190
Total delinquent debt	$3,509	$3,737	$3,970	$4,157	$4,664
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	75.4%	74.9%	73.5%	72.7%	70.6%
- Delinquent	24.6%	25.1%	26.5%	27.3%	29.4%
% of debt estimated to be uncollectible[1]	27.4%	27.1%	27.5%	27.7%	27.8%
% of debt collected	20.8%	22.6%	23.8%	24.0%	22.9%
% change in collections from prior FY	2.6%	13.3%	5.8%	2.5%	-0.5%
% change in delinquencies from prior FY	7.6%	6.5%	6.3%	4.7%	12.2%
Clearances as a % of total receivables	27.8%	29.3%	30.9%	30.5%	29.3%
- Collections as a % of clearances	75.1%	76.9%	76.8%	78.7%	78.1%
- Write-offs as % of clearances	24.9%	23.1%	23.2%	21.3%	21.9%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.06	$0.07	$0.08
Average number of months to clear receivables:					
- OASI	18	18	18	16	15
- DI	39	40	42	45	38
- SSI	42	36	34	35	35

Note:

1. The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the Financial Statements.

Definitions:

1. Adjustments – Program debt adjustments represent (1) written-off debts, by way of terminations, that we reinstate for collections, (2) changes in debts when we update debtor accounts with new information, and (3) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person (1) is without fault in causing the debt, and (2) either cannot repay it or repayment would be against good equity and conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.
3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because (1) the debtor cannot or will not repay the debt, (2) the debtor cannot be located after diligent search, or (3) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the Treasury Offset Program and Administrative Wage Garnishment. If the debtor becomes entitled to Title II benefits or eligible for Title XVI payments, we reinstate the debt and resume recovery through benefit/payment withholding.
4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (1) the date we establish a Title II debt, (2) the date of the initial overpayment notice for a Title XVI debt, (3) the date of the last voluntary payment, (4) the date of an installment or periodic payment arrangement (if we do not receive a payment), and (5) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.