

# *Social Security*

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Performance and  
Accountability Report  
For Fiscal Year 2000



# Social Security...

*for people of all ages*



Survivors Benefits



Disability Benefits



Retirement Benefits



# A Message From the Commissioner

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The year 2000 marked the 65th anniversary of the establishment of the Social Security program. It is a dynamic program that has changed over time to meet changing circumstances. And, largely because of this responsiveness to changing needs, the Social Security program has also become the most successful, most popular domestic government program in the nation's history. The Social Security Administration's (SSA) Performance and Accountability Report for Fiscal Year (FY) 2000 is a testament to that legacy by providing a comprehensive picture of SSA's efforts during this past year in administering the Social Security programs.



I am pleased to report that this is the seventh consecutive year SSA's financial statements have received an unqualified opinion. This accomplishment demonstrates the Agency's commitment to the financial management precepts of the Chief Financial Officers' Act and to our stewardship responsibilities for the programs we administer. Performance reporting under the Government Performance and Results Act has become an integral part of our report as reflected in this year's new name – Performance and Accountability Report.

During FY 2000, we continued to make great strides in addressing the priorities I established as Commissioner: educating the public about the value of the Social Security program and its long term challenges as well as its role in personal financial planning; assuring program integrity; providing responsive service to the public; improving the administration of our Disability and Supplemental Security Income programs; and strengthening our long-range planning and our policy making processes.

Earlier this year, SSA was the only major Federal agency named a "2000 CIO-100 honoree" by CIO Magazine. SSA was cited along with such major corporations as Amazon.com Inc., Chase Manhattan Corp., Ford Motor Co., Marriott International, Inc. and Intel Corp. for demonstrating an innovative and sophisticated customer service approach which makes the customer central to our business. More recently, SSA was one of only two Federal agencies to receive the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" Award for its FY 1999 Accountability Report. In addition, SSA was the only Federal agency to receive this award for two consecutive years since its inception in FY 1998.

While we are proud of our current accomplishments, the aging of America will place even greater strains on our ability to deliver the quality of service that Americans have come to expect from our Agency. To address these concerns, in August 2000, we released SSA's 2010 Vision document which provides a view of SSA's service in the 21st century and a roadmap to align SSA budget, human resources and technology to handle the significant workload growth we will experience over the next decade. As we look ahead to the next century, we will be ever mindful of the purpose of this "American Cornerstone" which has served the nation in providing economic security to the American public for 65 years. We will continue to meet the challenges facing us, maintain our steadfast commitment to our stewardship responsibilities and provide the best quality service to the American public.

A handwritten signature in black ink that reads "Kenneth S. Apfel". The signature is written in a cursive, flowing style.

Kenneth S. Apfel  
Commissioner  
of Social Security



# Table of Contents.....

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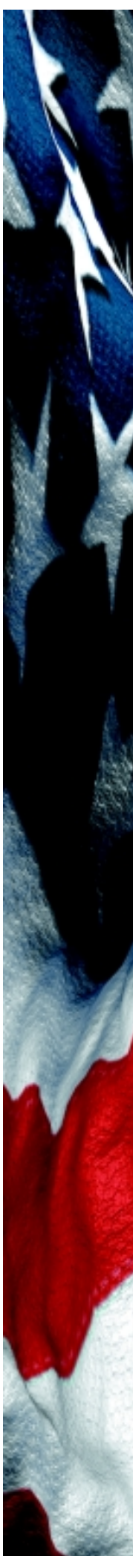
<b>A Message From the Commissioner.....</b>	<b>1</b>
<b>Ten-Year Summary of Financial Highlights .....</b>	<b>4</b>
<b>Certificate of Excellence in Accountability Reporting.....</b>	<b>6</b>
<b>Management’s Discussion and Analysis.....</b>	<b>7</b>
<b>Mission, Organizational Structure and Programs .....</b>	<b>7</b>
Mission Statement.....	7
Agency Organization .....	8
The Social Security Programs .....	11
<b>Major Issues Facing SSA .....</b>	<b>15</b>
Long-Term Program Financing .....	15
Disability Program Issues .....	16
Disability Process Management Improvement.....	16
Hearings Process Improvement .....	17
Appeals Council Process Improvement .....	17
Ticket to Work and Work Incentives Improvement Act of 1999 .....	17
Commitment to World-Class Service .....	18
Electronic Service Delivery.....	18
800-Number Telephone Service .....	19
Information Security.....	19
Electronic Payment Services .....	20
Human Resource Challenges.....	20
Stewardship.....	21
SSI Management Improvement .....	21
Zero Tolerance for Fraud.....	22
<b>Performance Goals and Results.....</b>	<b>24</b>
<b>Highlights of SSA’s Financial Position .....</b>	<b>30</b>
<b>Systems and Controls.....</b>	<b>32</b>
<b>Key Financial Management Officials .....</b>	<b>35</b>
<b>Principal Financial Statements and Notes.....</b>	<b>36</b>
Consolidated Balance Sheet .....	36
Consolidated Statement of Net Cost.....	37
Consolidated Statement of Changes in Net Position.....	38
Consolidated Statement of Budgetary Resources.....	39
Consolidated Statement of Financing .....	40
Notes to the Principal Financial Statements .....	41
<b>Supplemental Schedules to the Financial Statements .....</b>	<b>51</b>
Balance Sheet by Major Program .....	51
Schedule of Changes in Net Position.....	52
Schedule of Financing.....	53

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Required Supplementary Information: Schedule of Budgetary Resources .....	54
Required Supplementary Information: Intragovernmental Amounts.....	55
Required Supplementary Stewardship Information: Social Insurance.....	56
<b>Supplemental Information</b> .....	74
Adequacy of Trust Fund Financing .....	74
Anti-Fraud Activities .....	75
Debt Management .....	76
Management Follow-up to OIG Recommendations .....	77
<b>GPRA Annual Performance Report</b> .....	78
Introduction.....	78
Alignment of the APP and the SSA Budget.....	78
Summary of FY 2000 Performance .....	79
FY 2000 Performance by Strategic Goal .....	80
Selected Indicator Performance for FY 1999.....	102
Verification and Validation .....	103
Program Evaluation.....	105
Barometer Measures.....	108
<b>Programmatic Information</b> .....	113
Enumeration Process.....	113
Earnings Process .....	114
Claims Process.....	115
Postentitlement Process.....	119
800-Number Telephone Service .....	120
Informing the Public .....	121
Face-to-Face Service.....	122
Mail .....	123
Internet.....	124
<b>Audit of SSA's Fiscal Year 2000 Financial Statements</b> .....	125
<b>Inspector General's Report to Congress</b> .....	145
<b>Glossary of Acronyms</b> .....	213

*This report consolidates the mandatory reporting requirements of the Chief Financial Officers' Act, the Government Performance and Results Act, the Debt Collection Act and the Federal Managers' Financial Integrity Act. Also included are the Inspector General's Report to Congress, SSA's Management Report on Final Action to Office of the Inspector General recommendations and the reporting requirements of Section 206(g) of the Social Security Independence and Program Improvements Act. The Management's Discussion and Analysis section of this report is considered Required Supplementary Information for the audit of the financial statements.*



# Ten-Year Summary of Financial Highlights..

(Data for the FYs ended September 30. Dollars in billions, except for unit costs)

Assets										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Investments	\$268.7	\$319.4	\$365.7	\$419.5	\$483.2	\$549.5	\$631.0	\$730.3	\$854.9	\$1,007.2
Total Assets <sup>1</sup>	278.4	329.2	376.4	450.1	499.1	565.9	648.6	748.4	874.9	\$1,029.2

1) See balance sheet on page 36 for breakout of Total Assets.

Financing Sources										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Tax Revenues	\$299.3	\$308.2	\$316.5	\$340.8	\$356.2	\$381.2	\$405.3	\$432.0	\$462.7	\$501.7
Interest Income	21.1	24.6	27.4	30.1	34.2	37.6	42.5	48.0	53.7	62.2
Total Exchange Revenue and Financing Sources	346.1	363.5	378.0	407.9	427.4	449.5	477.4	510.9	548.2	599.1

Outlays										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Benefit:										
OASI	\$236.1	\$251.3	\$264.6	\$276.3	\$288.6	\$300.0	\$312.9	\$324.3	\$332.4	\$347.9
DI	26.9	30.4	33.6	36.8	40.2	43.2	45.4	47.7	50.4	54.2
SSI	14.6	17.9	21.0	24.2	24.5	24.3	26.5	27.4	28.1	30.8
Administrative	4.3	4.9	5.2	5.4	5.7	5.6	6.2	6.7	6.9	7.0 <sup>2</sup>

2) Benefit outlays include benefit payments to Social Security and SSI recipients.

Ratios										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Return on Trust Fund Investments <sup>3</sup>	9.1%	8.7%	8.3%	8.0%	7.8%	7.6%	7.5%	7.2%	6.9%	NA
Long Range OASDI Actuarial Deficit as % of Taxable Payroll	1.08%	1.46%	1.46%	2.13%	2.17%	2.19%	2.23%	2.19%	2.07%	1.89%
Administrative Outlays as % of Benefit Outlays	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%	1.7%	1.7%	1.6% <sup>4</sup>
% Change in SSA's Overall Productivity	(2.1%)	9.7%	7.5%	2.1%	5.2%	2.3%	2.2%	7.4%	1.4%	6.8%

3) Data shown are for calendar year.

4) Administrative expenses as a percent of benefit expenses is 1.7% as expressed on the Statement of Net Cost.

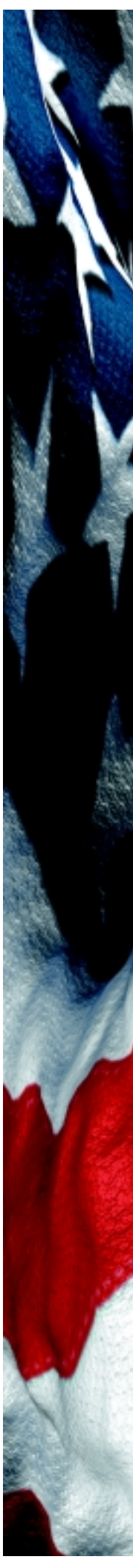


<b>Number of Beneficiaries (In Millions)<sup>5</sup></b>										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
OASI	36.0	36.5	36.9	37.2	37.5	37.6	37.8	37.9	38.0	38.7
DI	4.4	4.8	5.2	5.5	5.8	6.0	6.1	6.3	6.5	6.6
SSI	5.0	5.5	5.9	6.2	6.5	6.6	6.6	6.6	6.6	6.6

5) Includes individuals receiving benefits from more than one program.

<b>Unit Costs (Current Dollars)</b>										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Issue Social Security Cards	\$12.25	\$12.30	\$12.42	\$12.83	\$13.47	\$14.68	\$15.86	\$15.07	\$14.77	\$15.29
Process Annual Wage Reports	.50	.53	.56	.62	.62	.53	.44	.37	.31	.25
Issue Earnings Statements <sup>6</sup>	4.88	3.31	4.26	5.04	1.94	2.30	1.97	.96	.69	.45
Process Initial Claims (Overall Average)	465.88	452.68	419.65	422.45	418.30	414.44	428.17	395.02	394.61	372.03
Maintain Benefit Rolls (Overall Average Per Work Unit)	20.41	19.28	14.65	16.50	17.73	18.42	20.61	21.35	24.23	21.92
Provide Due Process (Overall Average)	900.12	749.66	666.52	692.33	761.17	812.11	831.25	843.91	864.85	838.40
Cost to Collect \$1	.13	.13	.13	.13	.13	.12	.09	.11	.11	.10

6) SSA began issuing legislatively mandated Social Security Statements in FY 1995; those costs are reflected in the FY 1995-2000 unit costs.





# CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

Presented to the

*Social Security  
Administration*

For its Annual Accountability Report  
for the Fiscal Year Ended  
September 30, 1999

A Certificate of Excellence in Accountability Reporting  
is presented by the Association of Government Accountants  
to federal government agencies whose annual  
Accountability Reports achieve the highest standards  
in presenting their programs and financial affairs.



John H. Hummel, CGFM  
Chair, Certificate of Excellence  
in Accountability Reporting Board

Charles W. Culin Jr., CGFM  
Executive Director



# Management's Discussion and Analysis

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The Management's Discussion and Analysis (MD&A) is considered Required Supplementary Information for the audit of 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 Mission and Organizational Structure section highlights SSA's mission as set forth in the Agency's Strategic Plan. This section also discusses the major programs we administer: the Old Age and Survivors Insurance (OASI) and the Disability Insurance (DI) programs (commonly known as Social Security) as well as the Supplemental Security Income (SSI) program.

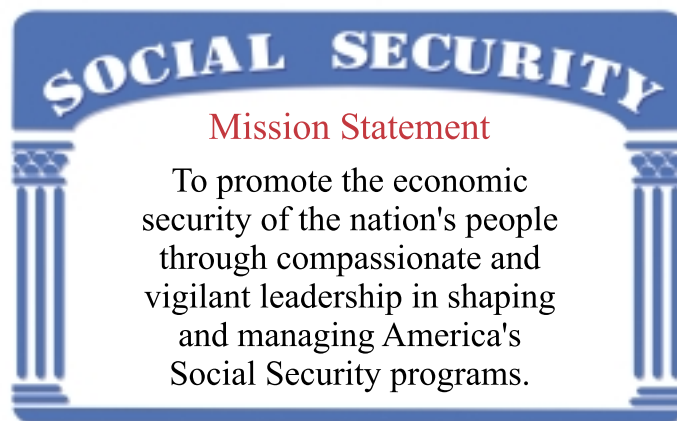
Following the Mission and Organizational Structure section is a discussion of the Major Issues that SSA will be facing in the future. We used the Performance and Accountability Report to provide a snapshot of the performance we achieved in FY 2000. However, the status of SSA would not be complete without providing a sense of the challenges tomorrow brings. These challenges include long-term solvency of the Social Security program and fulfilling our commitment to world-class service as well as topics that have a more immediate impact on our operations such as SSI and DI

management improvement and fraud prevention and detection. While these issues are challenging, we believe we have the policies and plans in place to help ensure they will be adequately addressed.

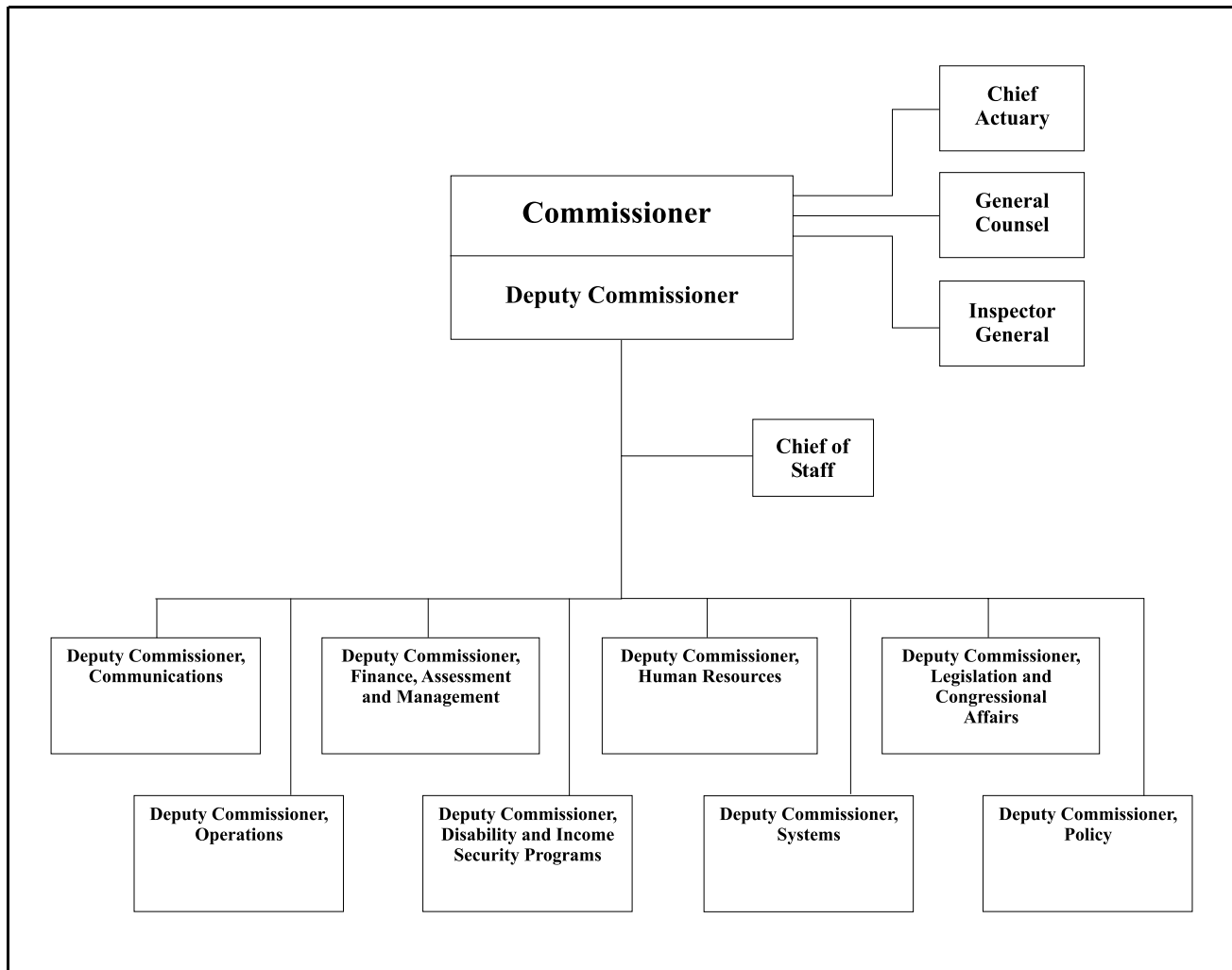
Next, the MD&A discusses SSA's ability to achieve the five strategic goals contained in our current strategic plan. In February 1999, we provided Congress with our FY 2000 Annual Performance Plan (APP) outlining the performance indicators we used to assess our ability to meet these five strategic goals. The Performance Goals and Results section displays selected indicators from the APP, targeted performance for FY 2000 and actual performance achieved.

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 the Commissioner's Federal Managers' Financial Integrity Act (FMFIA) assurance statement, the actions SSA has taken to address our management control responsibilities and a discussion of the Agency's FMFIA material weakness and plan to correct this weakness.

## Mission, Organizational Structure and Programs



## Agency Organization

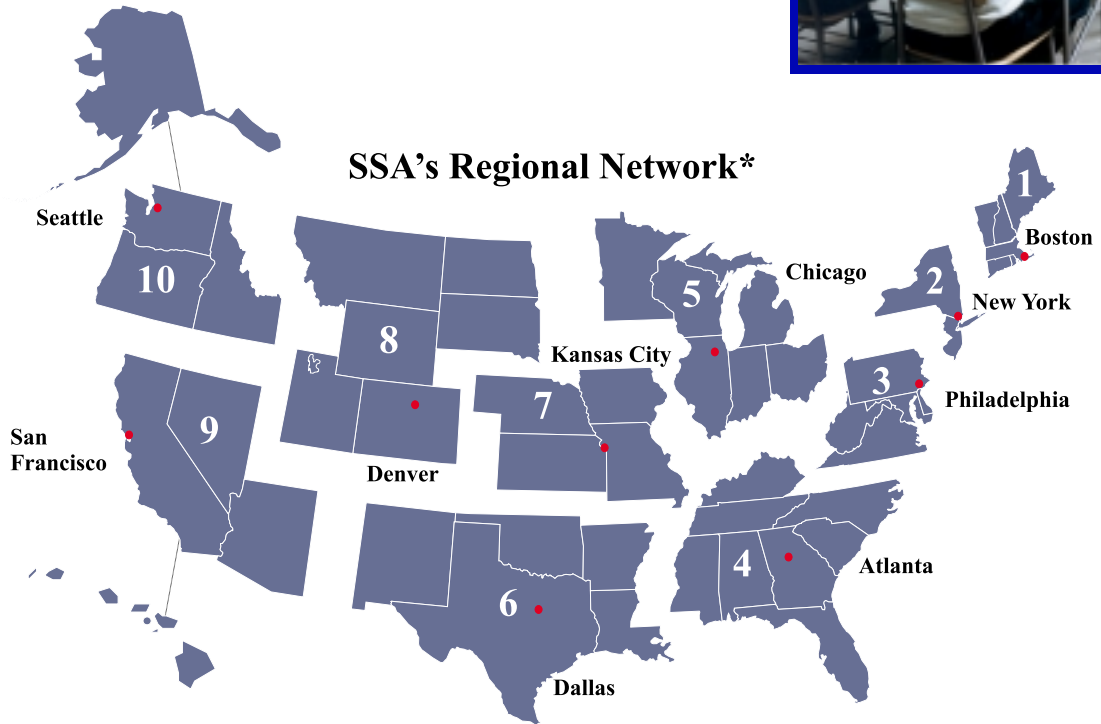


SSA's organization features centralized management of the national Social Security programs and a decentralized nationwide network of 10 Regional Offices overseeing 1,340 field offices (FO), 138 hearings offices, 36 teleservice centers, 7 processing centers and 1 data operations center.

SSA's unique organizational structure is designed to provide responsive, swift and accurate world-class service to the public. All components within SSA's central office perform a supporting role to SSA FOs by providing uniform directions, guidance and material resources needed by the FOs. By integrating services for all the programs we administer at the level of our customer, we are able to enhance efficiency, avoid duplication of effort and increase opportunities to provide one-stop service to our customers.

FOs are located in cities and rural communities across the nation and are the Agency's main physical point of contact with beneficiaries and the public. Additionally, the Social Security disability program depends on the services of 54 Disability Determination Services which include all 50 States, the District of Columbia, Guam and Puerto Rico.

To meet the needs of non-English-speaking customers, SSA recruits bilingual individuals to serve as a public contact for customers visiting SSA field offices and calling SSA's 800-number telephone service. During FY 2000, 15 percent of public contact employee new hires were bilingual. At year end, SSA had bilingual public contact employees who could provide service in English and at least one of 23 other languages.



\* Puerto Rico and the Virgin Islands are serviced by Region 2; the District of Columbia is serviced by Region 3; and American Samoa, Guam and Trust Territory of the Pacific Islands by Region 9.

## SSA Salutes America's Centenarians

*As we celebrate the 65th anniversary of the establishment of the Social Security program and the new millennium, we are also celebrating the lives of all our beneficiaries. We are particularly celebrating those who have lived to be 100 years old or older, those whose lives have spanned the entire 20th century. Thirty-five years old-or older-when the law was enacted, these elder Americans remind us how Social Security has been there for them and the rest of the nation throughout all these years. They remember the two World Wars, President Roosevelt and the New Deal. They remember Model-T Fords, the Depression and the Big Band era. And when asked about what Social Security means to them, they remember that, above all, it has given them a margin of independence.*



Rosa W. Allen  
113



Walter B. Banks  
100



Lorion Bassett  
101



Chief Tecumseh  
Deerfoot Cook  
101



Frank Gerena  
102



Ruth O. Bacon  
100



Hagbard "Herbie"  
Hansen  
102



Corean Flennoy  
102

Above pictures selected from those found in "Voices of America's Centenarians," celebrating SSA's 65th anniversary.

## The Social Security Programs

The Social Security Act established a program to help protect aged Americans against the loss of income due to retirement. Protection for survivors of deceased retirees was added by the 1939 amendments, thus creating the OASI program. Social Security protection for workers was expanded again in 1956 to include the DI program. SSA's responsibilities were further expanded in 1972 to include the SSI program and again in 1999 to include Special Benefits for Certain World War II Veterans (title VIII).

The combined Old Age and Survivors and Disability Insurance (OASDI) programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people. Social Security is intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments and other insurance.

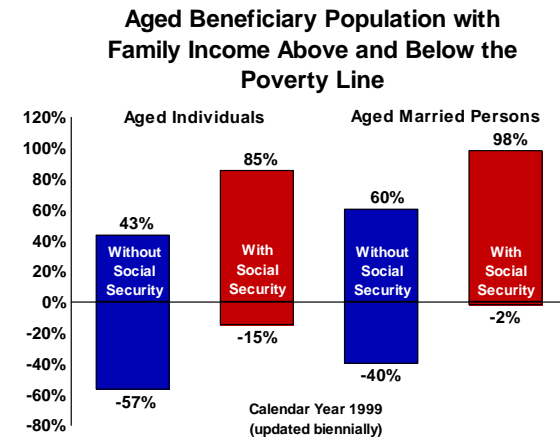
Social Security benefits have significantly improved the economic well being of the nation. Poverty among the elderly has been reduced by 62 percent over the past 30 years. In 1936, when Social Security numbers were first assigned to workers, most of the nation's elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of elderly Americans and millions more who are protected in case of death or disability.

The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 1999 was \$72,600 and increased to \$76,200 in 2000.

**OASI Program:** In 1999, the family income of 15 percent of aged, unmarried beneficiaries fell below the poverty line. Without Social Security benefits, 57 percent of those beneficiaries would have income below the poverty line - a difference of 42 percent due to receipt of Social Security.

Social Security also lifted many aged married beneficiaries out of poverty. In 1999, 2 percent of aged beneficiaries who were members of a married couple had income below the poverty line. Without Social Security benefits, 40 percent of these beneficiaries

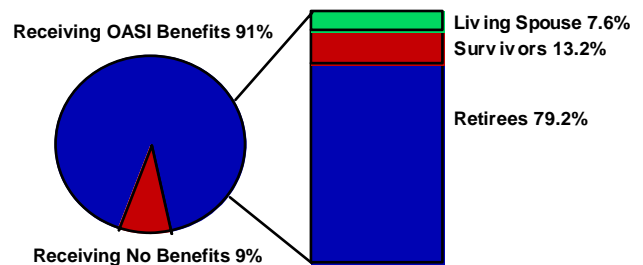
would have income below the poverty line - a difference of 38 percent.



To qualify for OASI benefits, a worker must have paid Social Security taxes (Federal Income Contributions Act and/or Self-Employment Contributions Act) for at least 10 years (or 40 quarters) over the course of his/her lifetime. Individuals born before 1929 need fewer quarters to qualify. Nine out of 10 working Americans can count on benefits when they retire, with reduced benefits payable as early as age 62. Benefits are also paid to certain members of retired workers' families and to survivors.

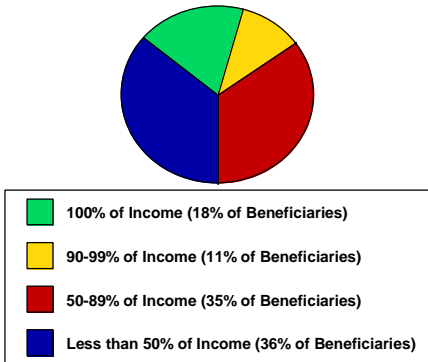
Ninety-one percent of people age 65 or over in calendar year 2000 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 98 percent of children under 18 and spouses with children in their care under 16 can count on benefits if a working parent dies.

### Population 65 or Over Receiving OASI Benefits (2000)



Social Security benefits comprised 38 percent of the aggregate share of all income to the aged population 65 and over of which 91 percent were Social Security beneficiaries. Other sources of income include assets (19 percent), earnings (21 percent), and pensions (19 percent) both Government and private.

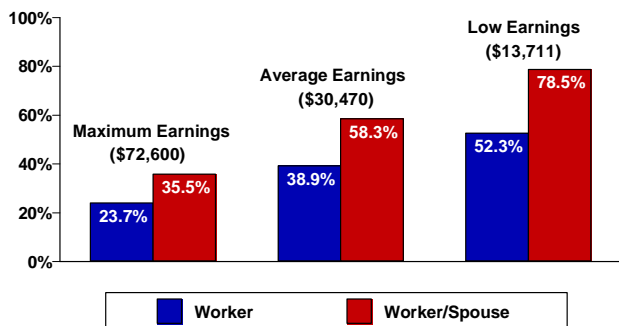
**Portion of Beneficiaries That Rely Heavily on Social Security**  
(Calendar Year 1999)



While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For 18 percent of beneficiaries, it is the only income; for 11 percent of the population, it contributes almost all of the income; and for another 35 percent of the beneficiaries, it is the major income source.

The level of preretirement earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted in favor of workers with low levels of earnings. The chart below shows the replacement rate in 2000 for individuals and couples (i.e., worker with a spouse who is not insured) at various earnings levels (1999 earnings levels are shown since that is the assumed last year of earnings).

**Pre-Retirement Earnings Replaced**  
(Workers Age 65 Entitled in January 2000)

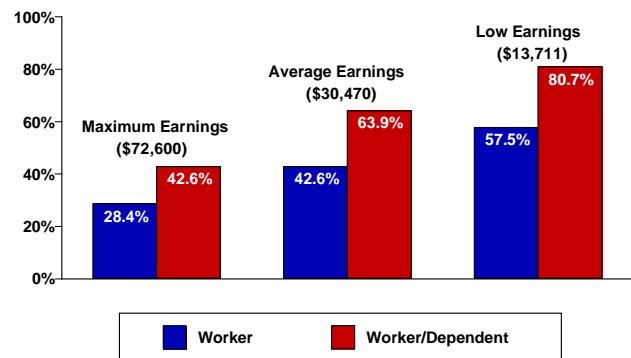


**DI Program:** To qualify for DI benefits, an individual must meet a test of substantial recent covered work. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible



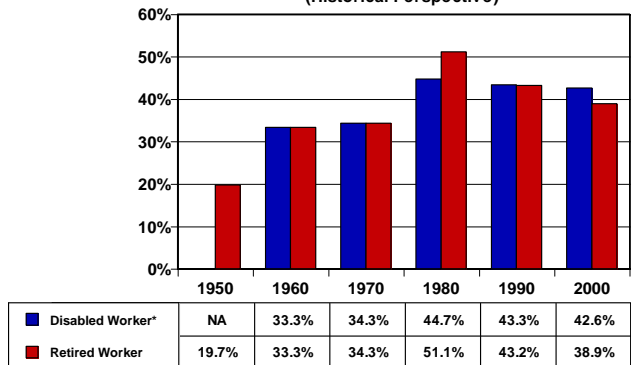
members of their families. Three of four working Americans age 21 through 64 can count on receiving benefits if they become disabled. Workers are considered disabled if they have a medically determinable physical or mental impairment that prevents them from engaging in substantial gainful activity. The condition must be expected to last for a continuous period of at least 12 months or to result in death. Once benefits begin, they continue for as long as the worker is disabled and does not perform substantial gainful work. There are provisions that provide incentives for work. Disability cases are reviewed periodically to determine if the worker continues to be disabled. The chart below shows the replacement rate in 2000 for disabled workers and their dependents at various earnings levels (1999 earnings levels are shown since that is the assumed last full year of earnings).

**Disabled Worker's Earnings Replaced**  
(Workers Age 45 Entitled in Calendar Year 2000)



The following chart presents a historical perspective on average earnings replacement for both the OASI and DI programs.

### Average Earnings Replaced (Historical Perspective)



\* Data not available for disability benefit payments which began in 1957. Based on 45-year old disabled worker.

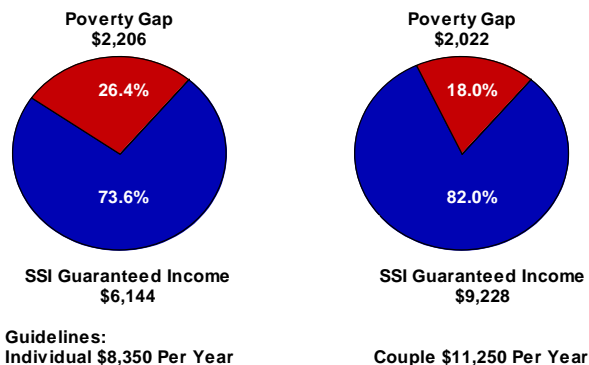
**SSI Program:** SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Qualified recipients receive monthly cash payments from SSA sufficient to raise their income to the level guaranteed by the Federal SSI program. Children, as well as adults, can receive payments because of disability or blindness.



The definitions of disability for adults used in the SSI program, as well as continuing disability review procedures, are the same as those used in the DI program. There is a separate definition of disability for children seeking SSI benefits. There are general provisions to encourage working and special incentives to those beneficiaries who have disabilities or are blind. The Federal benefit rate and eligibility requirements are uniform nationwide. However, those with other income receive less since benefits may be reduced by the income they receive from other sources.

As shown in the following chart, SSI recipients with no other income receive the full SSI Federal benefit which is 73.6 percent of the poverty level for an individual and 82 percent for a couple.

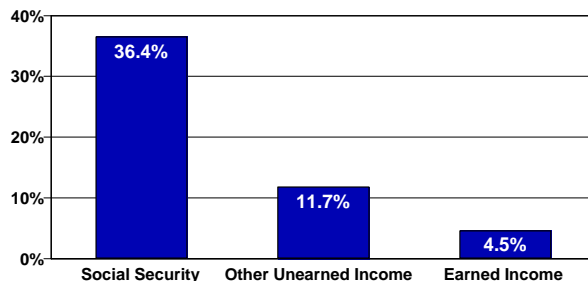
### February 2000 Poverty Income Guidelines Poverty Gap Filled By SSI Federal Benefit



The portion of the poverty gap not filled by Federal SSI may be filled by State SSI supplementation payments. Also, SSI recipients may be eligible for food stamps, Medicaid and social services.

In June 2000, as shown by the following chart, 36.4 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.5 percent of the recipients, earnings were a source of additional income, and 11.7 percent had unearned income from other sources, such as Veterans' pensions.

### Percent of SSI Recipients With Income From Other Sources (June 2000)

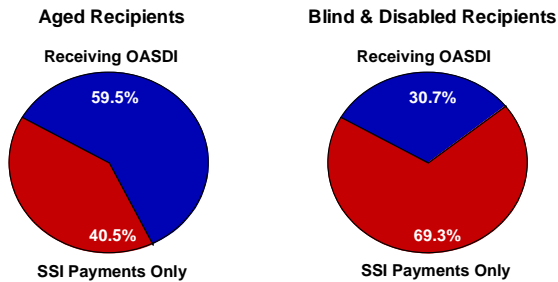


OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 36.4 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (59.5 percent) to be receiving Social

Security benefits than SSI blind and disabled recipients (30.7 percent).

### SSI Recipients Also Receiving OASDI Benefits

(June 2000)



### Special Benefits for Certain World War II Veterans:

Title VIII of the Social Security Act, enacted December 14, 1999 as part of the Foster Care Independence Act of 1999, provides a monthly cash payment to certain World War II veterans who are eligible for SSI in both December 1999 and the month in which he or she files an application for the special benefits and who resides outside of the 50 States, the District of Columbia and the Northern Mariana Islands. Payments began in May 2000.

### Support to Other Programs

In addition to its basic programs, SSA also provides a significant measure of service delivery support to other programs, particularly Black Lung, Medicare, Medicaid, Food Stamps and Railroad Retirement.

**Black Lung Program:** The Black Lung (BL) program pays monthly cash benefits to coal mine workers and their dependents and survivors. SSA is responsible for administering Part B of the BL program under title IV of the Federal Coal Mine Health and Safety Act. Part B covers claims filed by miners before July 1973 and survivor claims filed before January 1974 or within 6 months of the death of a miner or widow on the SSA rolls, whichever is later. Any claims filed after these dates generally are the responsibility of the Department of Labor (DOL) covered under Part C of the program.

SSA is also responsible for taking claims for, and performing certain other services related to, Part C benefits. In FY 2000, SSA field offices took 429 claims for Part C benefits and transferred them to DOL for payment, as required by law. SSA received full reimbursement from DOL for these services. Beginning in FY 1998, DOL provided administrative services for the Part B program under an interagency agreement with SSA and certified for payment all Part B benefits

from funds appropriated to SSA. However, SSA retains responsibility for these payments.

**Medicare:** Being a primary public contact point for the Health Care Financing Administration (HCFA), SSA provides key services to the Medicare program. SSA staff determine and answer questions regarding Medicare eligibility, maintain the computerized records of Medicare eligibility, and collect Medicare premiums through withholdings from Social Security payments. Annually, SSA devotes about 1,494 workyears to supporting these workloads and funds for these services are drawn from the Medicare trust fund. In addition, Administrative Law Judges in SSA's Office of Hearings and Appeals provide hearings and adjudicate disputed appeals of Medicare reimbursements.

**Medicaid:** In 32 States and the District of Columbia, eligibility for SSI benefits confers automatic entitlement to Medicaid. Thus, the SSI eligibility determination made by SSA saves a significant amount of workyears for these States. SSA also provides information and referral services in support of Medicaid and is directly funded by the States and HCFA.

**Railroad Retirement:** SSA provides services in connection with entitlement to benefits from the Railroad Retirement Board (RRB). SSA takes the applications, determines jurisdiction and coordinates benefit payments with the RRB. The latter organization, as required by statute, issues a combined monthly benefit payment when a retiree is entitled to both Railroad and Social Security retirement benefits due to having worked for both the railroad and other industries prior to retirement. SSA reimburses the RRB for OASI and DI benefits paid on SSA's behalf. In addition, SSA arranges an annual financial interchange with the Railroad Retirement Trust Fund to place the Social Security trust funds in the same position they would have been in had railroad employment been covered by Social Security.

**Food Stamps:** SSA assists the Department of Agriculture by providing information about the food stamp program and taking food stamp applications for qualified OASI, DI and SSI claimants. In FY 2000, SSA processed 21,486 food stamp applications and recertifications.

**State and Local Programs:** SSA regularly provides information from Social Security records needed to make eligibility and payment decisions for a variety of State and local welfare programs, and provides automated data exchanges with over 100 State and Federal agencies.



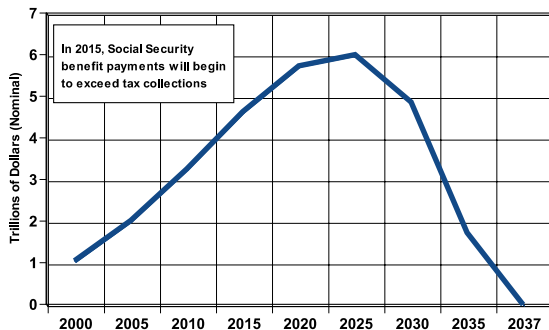
# Major Issues Facing SSA

SSA's Performance and Accountability Report demonstrates the Agency's success in administering its programs and managing the resources entrusted to it. In addition to the retrospective information reported throughout the report, we believe that full disclosure necessitates that we discuss the prevailing issues that will affect our programs and our ability to administer these programs in the future. In addition to the long-term financing of the Social Security system and the human resource challenges that lie ahead, we will be required to continue to meet the challenge of our stewardship responsibilities while administering our programs in a fair and equitable manner.

## Long-Term Program Financing

On August 14, 2000, the Social Security Program celebrated its 65th anniversary. Yet, even as we celebrate past achievements of this program, as a nation we must also look to the future and the preservation of Social Security. Americans are living longer, healthier lives. In addition, the baby-boom generation is nearing retirement. These demographic changes create long-term funding issues for the Social Security Programs. Currently, tax revenues to the Social Security system exceed benefit payments, and the system is building large reserves that are held in the trust funds. The March 2000 Board of Trustees Report extended projections for trust fund solvency by three years past the previous year's estimates. The Trustees credit the continuing strong economy and better prospects for future performance for the improvement in financial status. Under the current estimates, benefit payments will begin to exceed tax collections in 2015. After that time, interest on the trust funds, and ultimately the trust funds themselves, will be used to pay part of each monthly benefit check. Current estimates are that the trust fund reserves will be exhausted in 2037.

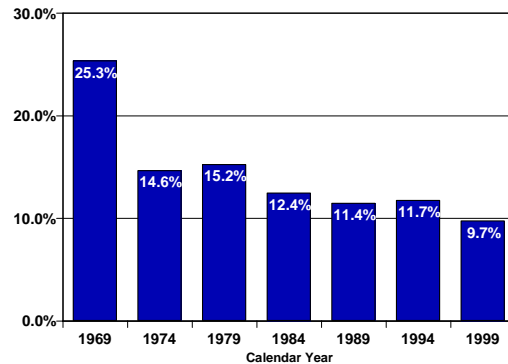
**The Social Security Trust Fund Will Be Exhausted in 2037**



Under current projections, Social Security tax receipts will provide sufficient funds after 2037 to meet approximately 72 percent of benefit obligations. To address the long-term imbalance in Social Security financing, the President has proposed locking away Social Security surpluses, paying down the national debt and dedicating interest savings to Social Security, which would extend solvency from 2037 to 2057. The President has called for further bipartisan action to extend Social Security solvency for 75 years. Other plans to ensure long-term program solvency also have been proposed.

The need to resolve the long-range financing issue is clear. Social Security has made an enormous difference in the lives of older Americans. More than nine in ten older Americans get Social Security retirement benefit payments each month. Only about 10 percent of America's senior citizens live below the poverty line, but, without Social Security, about 48 percent would be below the poverty line.

**Poverty Rate Among the Elderly**



For two-thirds of the elderly, Social Security is their major source of income, representing at least half of their total income. For nearly a third of the elderly, Social Security is virtually their only income. An in-depth discussion of the Social Security programs can be found on pages 11 through 14.

Social Security changed in the past year to help retirees to supplement their Social Security benefits with earnings. On April 7, 2000, President Clinton signed a bill eliminating the retirement earnings test for beneficiaries aged 65-69. Prior to the change, earnings above a certain limit would affect benefits. Although benefits withheld under the retirement earnings test were roughly offset by higher benefits later on, many people perceived the retirement earnings test as a tax on their

earnings. Eliminating this perceived disincentive is expected to lead to a modest increase in work activity among some retirees.

Social Security is more than a retirement program. In fact, about one in three Social Security beneficiaries are not retirees. They are disabled workers and their dependents, and children and spouses of deceased workers. Approximately seven million people get monthly survivors benefits, and more than six million workers and family members get disability benefits.

As an Agency, we are continuing our efforts to educate the American public about the value of the program and its role in family financial planning. For example, the agency sent out 133 million Social Security Statements last year to workers age 25 or older who were not already receiving benefits on their own earnings record. The Social Security Statement allows workers to review their earnings history and provides estimates of future Social Security benefits. In the upcoming year, Social Security will continue to provide workers and their families with information through public forums, the Social Security statement and other media. For example, the cover letter for the Social Security Statement explains the long-term financing challenges the programs face. The Social Security Statements sent to persons age 55 or older this year will also include an insert on retirement options.

We will help further the dialogue on critical long and short-term Social Security issues by—

- conducting in-house research;
- promoting research by others;
- framing policy discussions; and
- refining policies to meet the needs of society.

In addition to our efforts to educate the public about the value of Social Security, the Agency is also providing critical information on long-and short-term Social Security issues. The Agency is working to identify strengths and weaknesses in the programs' abilities to provide an adequate base of economic security for all Americans. The Agency is also providing policy makers with comprehensive analyses of the distributional and fiscal impact of specific proposals to alter Social Security programs. These analyses will help decision makers evaluate and refine proposals by informing them of the potential effects on workers and their families, the solvency of Social Security trust funds and the economy of the United States.

Leadership in shaping the programs cannot be achieved without expertise. SSA is enhancing its research, policy analysis and evaluation capabilities in recognition that these capabilities are essential to the development of creative and responsive policy solutions. In order to strengthen expertise on Social Security issues, we are both conducting in-house research and promoting research by others. We are also improving our ability to model Social Security programs and other sources of income and wealth, in order to more fully understand the implications of policy choices.

## Disability Program Issues

### *Disability Process Management Improvement*

SSA strives to deliver the highest levels of service by making fair, consistent and timely eligibility determinations and decisions at all adjudicative levels. However, applicants and beneficiaries sometimes find the current process complex, fragmented, confusing, impersonal and time consuming. Some also perceive the process as one in which different decisions are reached on similar cases at different levels of the administrative review process, thus applicants must maneuver through multiple appeals steps before they receive a final decision.

To remedy these concerns and perceptions, the Commissioner announced a plan to improve the disability eligibility determination process. The plan is a combination of initiatives that have demonstrated significant promise through testing and piloting over the last few years and includes all levels of eligibility determination beginning with State agencies and going all the way through the hearing and appeal processes.

The State agency initiatives include the following:

- Providing more complete development and improved explanations of how the disability determination was made in order to enhance the quality of determinations.
- Enhancing the role of the State agency medical or psychological consultant to function as a true consultant in the disability determination process by providing information and advice to the disability examiner deciding the case.
- Providing the claimant with an increased opportunity to interact with the disability decisionmaker earlier in the process and to submit further information.
- Eliminating the reconsideration step in order to streamline the process.

These initiatives were combined to form an improved disability process for which the Agency has developed a prototype in 10 States, representing 20 percent of the national disability workload, beginning October 1, 1999.

Through this prototype, the Agency will further analyze and refine its improvements to the disability process with an eye towards a phased national rollout.

### ***Hearings Process Improvement***

To improve our service to disability applicants, over the past few years SSA has been testing various process improvements to determine what changes would meet our goal of providing better customer service. After analyzing the results of these extensive tests, the most successful elements were implemented, first in 10 prototype States and then rolled out nationwide in October and November 2000. Along with changes at the initial level, SSA is implementing comprehensive hearing process improvements nationwide.

SSA has established the goal of 180 days or less for processing a typical case from request for hearing through final hearing disposition. We expect to achieve this goal by 2004.

Key elements of the Hearings Process Improvement (HPI) plan are:

- Implementing a national workflow model that combines pre-hearing activities so that fewer handoffs occur;
- Establishing processing time benchmarks which will contribute toward reducing processing times and, therefore, better serve the claimant;
- Implementing early case analysis and development to ensure that each case scheduled is ready for hearing;
- Implementing structural changes in the hearing office organization to ensure better accountability and control for the handling of each claim; and
- Automation that facilitates the monitoring and tracking of case processing and development steps, helps ensure completeness of case development and analysis, and increases efficiency.

These improvements translate into a process that, when fully implemented, is expected to result in an overall significant reduction in processing time and in increased productivity. In the last year, the Agency has moved aggressively to implement the initiative. By April 2000, 37 hearing offices had implemented HPI in the first phase of a three-phase rollout. Fifty-two hearing

offices implemented the new process in October 2000 and the remaining offices implemented in November 2000.

### ***Appeals Council Process Improvement***

The final step in the administrative appeals process rests with the Appeals Council and its Administrative Appeals Judges. The Appeals Council level of review represents an important link between the administrative appeals process and the judicial system. When a claimant requests the Appeals Council to review an unfavorable hearing decision, the Appeals Council considers the evidence of record, any additional evidence submitted by the claimant, and the Administrative Law Judge's findings and conclusions.

In recent years, SSA's Appeals Council has seen a dramatic growth in its workload. Although the Appeals Council and its staff instituted a variety of successful initiatives that streamlined case processing, the number of cases pending climbed by 500 percent between 1994 and 1999. The Appeals Council Process Improvement Plan was approved by the Commissioner and published in February 2000. The focus of this plan, in the near term, is to reduce the time claimants must wait for action from the Appeals Council. The near term initiatives also are intended to lay the foundation for more permanent change.

The Commissioner also agreed to deploy additional staff to assist with the processing of the pending request-for-review workload. The additional staff will be deployed in a reorganized Office of Appellate Operations.

In the first six months of implementation, the processing time declined by 98 days, and the number of requests-for-review pending declined by more than 23,000. During this six-month period 73,741 requests for review were processed, compared to 36,488 in the first five months of the fiscal year.

### ***Ticket to Work and Work Incentives Improvement Act of 1999***

The Ticket to Work and Work Incentives Improvement Act was enacted on December 17, 1999, with many of its important provisions effective January 1, 2001. The first provision of the law took effect in October and enables many disability beneficiaries to be eligible for expanded Medicare coverage. The coverage increases from 39 months to at least 93 months after the end of the trial work period. This is a great improvement for disability beneficiaries who otherwise would have to decide between working or keeping the health care coverage they need.

In 2001, we'll begin a three-year national rollout of the "Ticket to Work and Self-Sufficiency" program. Starting in a few States at a time, the program will give beneficiaries greater access to rehabilitation and employment services. Also, it will be easier for former beneficiaries who are working to receive benefits again if they can no longer work because of their disabilities. They will have five years to request reinstatement without having to file a new application.

The new law focuses on many of the barriers that have long kept people with disabilities out of the workforce. SSA stands ready, willing and able to help thousands of Americans with disabilities who, with appropriate services and support, can be successful in obtaining work. We expect to make great progress in the area of work incentives, so that those individuals with disabilities who want to work can do so.

## Commitment to World-Class Service

Customers everywhere have come to expect continually improved service from SSA and other Federal sector organizations. To meet that expectation, SSA is committed to continuing to provide customer-responsive, world-class service to our customers. We have many initiatives underway that will improve service to the public. But we recognize that changes in customer preferences, emerging technologies and other factors will result in modifications to the way we deliver service in the future. The Agency began a planning effort designed to create a vision for service in 2010 that will provide a roadmap to the future.

SSA's *2010 Vision* was developed after a great deal of study and much talking and listening to those who have a stake in the Agency's future. The *Vision* illustrates the SSA of 2010 from three important perspectives: our customers, our employees and our work processes. The *Vision's* underpinnings include significant investments in human resources and technology.

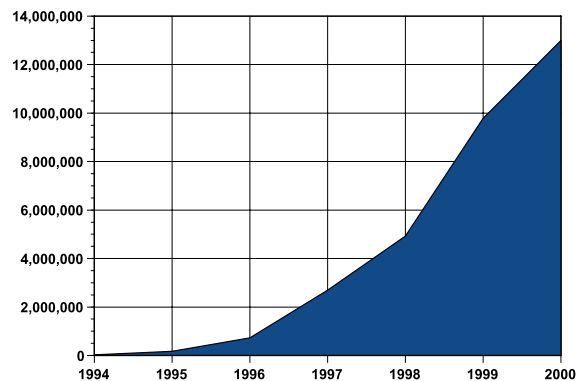
The following discussions are just some of the examples of the initiatives underway to improve our service to the public.

### Electronic Service Delivery

SSA's website *Social Security Online* provides the American public with one stop shopping for information about the Social Security programs. It has been the recipient of numerous awards for its clarity, rich content and usefulness to the public. Internet applications included on the site have grown steadily since it was first

launched in 1994. Visits to SSA's website have increased substantially with each year.

SSA Home Page Visits



*Social Security Online* began by providing electronic access to pamphlets, program information, Actuary reports, research and statistical data. We then added downloadable versions of some of our most popular forms. We currently have 65 SSA forms and 4 Internal Revenue Service forms available for downloading.

From 1996 through 1999 we added four applications: Social Security Statement (formerly called PEBES); Social Security Benefit Statement (SSA-1099) Replacement; Benefit Verification Letter; and Field Office Locator.

The Social Security Statement, SSA-1099, and Benefit Verification Letter are online requests that are then mailed to the client. The Field Office Locator uses the ZIP code to provide the closest SSA office, its hours of operation, telephone number, directions to the office and information on other local resources such as Welfare agencies, the American Association of Retired Persons, Legal Aid, etc.

By the end of 2000, SSA expects to launch, test or pilot several additional applications:

- ENews (currently over 106,000 subscribers);
- Retirement Planner (currently an average 4,000 visits per day);
- Return to Work website;
- Medicare Replacement Card;
- Retirement Benefit application;
- Electronic Medical evidence; and
- Certificate of Coverage.

With the growth of online direct services as a “best” business practice, customers will look to SSA--like other world-class service providers--to offer an ever increasing range of services via the Internet.

### ***800-Number Telephone Service***

SSA’s national 800-number delivers outstanding service to the public and has fully achieved the purpose for which it was established--to provide all members of the public an inexpensive, convenient point of entry for conducting their business with SSA. The Agency has undertaken numerous initiatives over the past five years to achieve its world-class service goal. The initiatives fall under the three major categories of staffing, automation and technology.

#### Staffing:

In 1995, the Agency completed its remissioning of the Salinas and Albuquerque sites from data operations centers into teleservice centers. This added approximately 600 teleservice representatives (TSRs) to the national 800-number network and resulted in career enhancements for those employees. The Agency also adjusted staffing to maximize our call answering capacity during our peak calling periods. Over the past several years, the Agency has also focused on hiring bilingual (primarily Spanish-speaking) TSRs.

#### Automation:

Automation has played an increasingly important role over the past several years in terms of the Agency meeting the access goal and providing world-class service. In 1996, automated service options on the national 800-number became available to 100 percent of the nation. Since that time, many improvements have been made to the automated services; including implementing “voice recognition” capability to provide automated services to rotary callers, implementing Spanish automated services to approximately 50 percent of the nation and advising callers about the services available on SSA’s Internet site. The Agency plans to roll-out Spanish language automated services to the remainder of the country by the end of calendar year 2000.

#### Technology:

Technology helps us to provide more efficient and effective public service. In 1998, the Agency began a phased-in implementation of Immediate Claims Taking pilots, which allow callers to file their claim immediately over the telephone. The pilots have ended and the process is being rolled out nationally. In 1999, the Agency implemented “next available agent” call routing

software, which allows for more efficient routing of calls and utilization of staff resources. During the same year, a computer based “Customer Help and Information Program” was made available to assist agents in handling telephone calls more accurately and completely.

The Agency is working towards increasing the services available over the Internet and developing automated applications where callers will be able to access SSA’s mainframe databases to obtain information about their accounts. Privacy and authentication concerns are being addressed as we proceed toward implementing these initiatives.

### ***Information Security***

Recent highly publicized attacks on Internet web services have increased the public’s awareness of the importance of information security, as well as highlighted the interdependencies between the public and private sectors. As guardians for one of the largest stores of information about the American public, and as administrators of programs that are critical to the welfare of millions, SSA must remain a leader in the field of information security.

#### Our Changing Workplace Impacts on SSA’s Security Program

Over the past five years, SSA’s workplace has changed dramatically. These changes have increased the risks to our information resources, and have required that we adapt our security program to our new environment. Our resulting security program: 1) Emphasizes enterprise wide security planning and policy development to ensure that all resources are appropriately protected; 2) makes SSA’s employees partners in the security program through broadening security training and awareness; and 3) greatly increases the effectiveness of our programs that control and monitor the use of critical Agency resources.

#### Facing the Future

SSA has developed a security program that is both sound and adaptable. As we move forward into the 21st century, we will continue to ensure that we meet our fiduciary responsibilities by: 1) Evaluating new technologies and processes to ensure that their use supports the goals of our program; 2) communicating with our employees, other Agencies and with industry experts to maintain a proactive approach to future challenges; and 3) building the expertise of our security professionals so that they are prepared to deal with these new challenges and address security issues identified in audits.

## *Electronic Payment Services*

SSA is the leader in electronic payment delivery throughout the Federal Government. Currently, 74 percent of benefit payments are made electronically. SSA programs have experienced considerable growth in electronic payment delivery in recent years. Specifically, in December 1995, 60 percent of all OASDI and 26 percent of SSI benefit payments were made by direct deposit. As of April 2000, the OASDI participation rate had risen to 78 percent and the SSI participation rate to 49 percent.

To achieve this success, SSA has aggressively pursued its direct deposit strategy to convey to beneficiaries the advantages of using direct deposit; i.e., direct deposit is safe, convenient, and reliable. SSA's direct deposit strategy includes the following initiatives:

- Each year SSA, in conjunction with the financial community, sponsors a direct deposit public information campaign including radio and television public service announcements to encourage current check receivers to switch to direct deposit. This year, Jackie Joyner-Kersey, former Olympic Gold Medalist, serves as the spokesperson for the campaign.

To promote the annual campaign, SSA distributes collateral printed literature and marketing materials to the financial community including a statement stuffer featuring the spokesperson.

- New beneficiaries are enrolled in direct deposit at the point they apply for benefits unless they allege using direct deposit would cause them a hardship. In these cases, they are exempted from the direct deposit requirement and may receive benefits by check.
- SSA has also partnered with the financial community to simplify the enrollment of beneficiaries for direct deposit. The "automated enrollment" feature, better known as Quickstart, allows financial institutions to send SSA direct deposit enrollment information electronically through the same system that delivers benefit payments. This innovation allows the financial institution to immediately enroll their customer for direct deposit and saves SSA resources that would be spent processing the enrollment action.

SSA was the first Federal agency to make cross-border payments to consumers with the start of its International Direct Deposit (IDD) service in 1987. Since 1987, SSA has expanded its IDD services to 36 countries providing fast and economical electronic payment delivery to over 120,000 beneficiaries living in foreign countries. In

response to the increasing popularity of its IDD program, SSA is accelerating the expansion of its international service to additional countries.

SSA has partnered with the Department of the Treasury to implement an Electronic Transfer Account (ETA) program for beneficiaries who do not have an account at a Federally insured financial institution or who cannot obtain one. The ETA program will ensure recipients an account at a reasonable cost and with consumer protections comparable to other accounts at the financial institution. The ETA program, which became operational in 1999, continues to expand its number of participating financial institutions nationwide.

As we look to the future, we expect to see continued expansion in the use of electronic payment services to meet the demands of a growing beneficiary population.



## **Human Resource Challenges**

For many years, SSA has been known for the quality service provided by its knowledgeable, experienced and dedicated workforce. Our employees are truly our Agency's most important assets, and we must ensure that SSA's 21st century workforce is ready for the challenges we will face.

We do face serious long-term challenges. For example, Social Security and SSI disability claims can be expected to rise in the next 5 years as the 76 million members of the baby boom generation move into disability-prone years. And, beginning in about 2008, those baby boomers will begin to retire in unprecedented numbers. These, and other increasing workloads, will further strain our ability to continue to deliver the high quality of service expected of SSA.

Another challenge to delivering high-quality service is that our Agency's workforce is aging. Many of our employees will be eligible for retirement in the next few years, and many of these are in senior staff and

leadership positions. Approximately 3,000 employees per year are projected to leave the Agency in the 2006-2012 period.

How can we meet this challenge? We have already begun to plan for this eventuality, and our workforce planning efforts have been shaped to a considerable degree by a “Retirement Wave” study, which predicts the who, where and when of retirement losses. Based on projections, we have decided to take actions to mitigate the impact of the retirement wave. Over the past three years, we have replaced retirees with about 6,000 new employees. Our “early out” program has enabled us to adjust imbalances between workload and overhead functions and to hire additional new employees for customer service positions. These actions will allow us to have more experienced employees in place at a time when our greatest workload increases are expected. In addition, working with our union partners to ensure that we will retain our best employees and make the most of their skills, we are significantly expanding our efforts in ongoing employee training and career development, instituting executive development programs, and emphasizing workforce diversity, flexibility and skills for a changing environment.

This year we published an SSA Future Workforce Transition Plan, which includes:

- what we expect to happen over a 5-year period;
- 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.

But these actions alone will not be enough to address future demands. Along with explosive growth in workloads, we face a shift in the nature of our work, for example, toward helping disabled individuals return to independence. At the same time, in our surrounding environment, business practices and customer demands are changing so rapidly that it is very clear that incremental service improvements are unlikely to satisfy the needs of our customers for very long.

With all of this in mind, it is critically important to think much further into the future than we have before. As a result, we developed a long-term vision of service for the year 2010. Our “2010 Vision” is about the Agency of the future--what work we will be doing and how we will do it. This Vision and our new Agency Strategic Plan will guide our human resource plans for the longer term. Americans can be confident that we have credible plans for dealing

with what’s ahead, and that our 21st century SSA workforce will be equal to the nation’s highest expectations.

## Stewardship

### *SSI Management Improvement*

The SSI program provides benefits to approximately 6.6 million needy beneficiaries who are aged, blind or disabled. Like other means-tested programs that respond to changing circumstances of individuals’ lives, the SSI program presents challenges to ensure that it is administered efficiently, accurately and fairly.

In October 1998, the Social Security Administration issued the first management report on the SSI program, detailing the Agency’s aggressive plans to improve payment accuracy, increase continuing disability reviews (CDRs), combat fraud and collect overpayments. SSA executed several of the initiatives outlined in the report, such as new computer matches and processing more redeterminations.

The new computer matches are with wage and unemployment compensation data and nursing home admission data. Both are considerably more complete and timely than the matches they replaced. The wage and unemployment compensation matches cover all States, and are conducted every quarter. The nursing home admissions match covers all States and is conducted every month.

Also, SSA continues its highly successful matches with correctional facilities. In 1999 these matches resulted in the suspension of 57,000 prisoners who are ineligible for SSI benefits while in jail. In addition, the Agency continues to enhance existing computer matches and seek new ones.

In addition to computer matches, SSA is pursuing real time access to databases. This access will enable field offices to detect changes in income and resources even earlier than computer matches and will therefore increase our ability to detect payment errors. In April 2000, SSA began a pilot to assess the value of real time access to the wage, unemployment and “new hire” databases of the federal Office of Child Support Enforcement. The pilot has been completed and the initial assessment indicates that use of the query to detect and prevent overpayments is highly effective. While SSA must invest resources to use the query when the person has alleged no wages, the return on investment is positive and will prevent and reduce overpayments. SSA has decided to make the query available to all field offices nationwide, and will

use it before paying initial claims to help determine if people have understated their income.

The redetermination process of eligibility for benefits is one of the most powerful tools available to SSA for improving the accuracy of SSI payments. The total number of redeterminations processed in FY 2000 was 2.2 million, up from 1.9 million in FY 1998. In addition to increasing the number of redeterminations processed, SSA has increased the number of CDRs it is conducting. In FY 2000, SSA processed over 1.8 million CDRs (title II and title XVI), more than twice the number processed in 1996. SSA will continue with its 7-year plan to ensure that it is current in processing all SSI CDRs by 2002. There are also initiatives underway to improve the CDR process by improving the selection process.

SSA also implemented a series of training initiatives, wrote new procedures and, perhaps most importantly, maintained the focus of improving the accuracy of the SSI program as one of the Agency's highest priorities. In FY 1999, our initiatives to address the nondisability errors in the SSI program produced an additional \$597 million in overpayment savings compared to FY 1998.

SSA is implementing four major debt recovery projects that are expected to yield direct collections of at least \$115 million over 5 years. The projects are mandatory cross-program recovery, credit bureau reporting for delinquent title XVI debts, administrative offset for delinquent title XVI debts and administrative wage garnishment for delinquent titles II and XVI debts. Future plans are to implement the remaining debt collection tools for which SSA has been given authority. These additional projects include Federal salary offset, the use of private collection agencies and interest charging.

### ***Zero Tolerance for Fraud***

To achieve the goal of making SSA program management the best in the business, SSA established a policy of zero tolerance for fraud and abuse and initiated an aggressive program of anti-fraud efforts to: 1) Eliminate wasteful practices that erode public confidence in the Social Security system; 2) vigorously prosecute individuals or groups who damage the integrity of the programs; and 3) change programs, systems and operations to reduce instances of fraud.

SSA's National Anti-Fraud Committee, under the leadership of top SSA executives, continues to oversee



the implementation and coordination of SSA's strategies to eliminate fraud. To address fraud issues at the local level, each SSA region has in place an active Regional Anti-Fraud Committee which is the focal point for an aggressive and coordinated effort to combat fraud. Best practices are shared among the regional committees and with the national committee.

### ***Recent Progress In Combating Fraud***

As a result of our commitment to quality program management, we have major initiatives underway to address fraud. By moving forward with these agencywide initiatives, we will provide our employees with additional tools to reach our goal of zero tolerance for fraud and abuse.

- Essential to SSA's ultimate goal of preventing fraud is ending the Agency's dependence on documents that can be easily counterfeited or misused in an attempt to acquire a Social Security number (SSN). SSA has identified three basic types of fraud related to the SSN: when someone illegally obtains a number or uses someone else's number; when someone uses fraudulent documents to establish an entirely new identity; and when someone assumes another person's identity (identity theft).

Historically, we have tried to anticipate susceptibility to fraud and implement procedural changes and system enhancements to eliminate opportunities for fraud. Current initiatives are aimed at detecting fraudulent birth certificates, fraudulent immigration documents, fraud-prone situations and preventing identity theft. In addition, SSA is developing new software to interrupt the issuance of SSN cards in certain scenarios that have been determined to be fraud-prone.

SSA has many other initiatives underway which are aimed at maintaining the integrity of the enumeration process. These initiatives are designed to: decrease the potential for SSN misuse associated with illegally using the numbers for employment; protect the privacy of our customers; and prevent invalid SSNs from being used.

On September 28, 2000, the Ways and Means Committee of the House of Representatives favorably reported a bill, H.R. 4857, the "Social Security Number Privacy and Identity Theft Prevention Act of 2000." The bill includes a number of provisions governing permitted uses of the SSN by both the public and private sectors. Included in the bill are provisions that prohibit all governmental



entities (i.e., all executive, legislative, and judicial branches of Federal, State and local governments) from the sale or display of SSNs. The bill also prohibits States from displaying SSNs on drivers licenses or identity cards. In addition, the bill regulates the sale and purchase of SSNs by the private sector. If enacted into law, this bill would represent a significant strengthening of the laws protecting the use of SSNs and the public's privacy. At the time of the publication of this report, it was unclear whether the provisions of the bill would be enacted in the 106th Congress.

- The Office of the Inspector General has begun developing strategies to address the escalating problem of identity crime. Pilot projects were initiated in five cities to evaluate approaches to working with other law enforcement agencies on identity crime.
- SSA is working on improvements to our representative payee process to make it more reliable and useful to our field office employees. These improvements will allow SSA to produce better payee selections and decrease processing time associated with payee appointments. Additionally, we are making improvements to the education, support and recruitment of representative payees by publishing guides and pamphlets explaining the payees' rights and responsibilities.

To address instances of representative payees' abuse and misuse, SSA is considering several changes to the selection process. We have also expanded our monitoring program to include triennial onsite reviews, 6-month site visits and annual verification of bonding and licensing. We continue to conduct reviews of payees for whom we have received complaints or reports of misuse from third parties. And, SSA plans to conduct random compliance reviews of volume and fee for service payees.

- The number of Cooperative Disability Investigations units increased to 11 in FY 2000. These units, staffed by personnel from the Office of the Inspector General, State law enforcement agencies and experienced Disability Determination Service and SSA program analysts, provide investigative support during the initial decision-making process and help prosecute individuals who try to obtain benefits fraudulently. Special emphasis is placed on identifying third-party facilitators. Additional expansion is planned through 2003.

- On December 14, 1999, the President signed the "Foster Care Independence Act of 1999." Included in the bill was a number of provisions to strengthen the integrity of the Social Security and SSI programs. One provision adds a new penalty of nonpayment of OASDI benefits and ineligibility for SSI cash benefits for individuals who provide information for use in determining eligibility that the individual knew or should have known was false or misleading. This Act also makes a representative payee liable for an OASDI or SSI overpayment caused by a payment made to a payee after a beneficiary has died; bars representatives and health care providers from OASDI and SSI programs if they were found to have helped commit fraud; authorizes SSA to use all available debt collection authorities in recovering SSI debt, such as referring debtors to credit bureaus, using private collection agencies, and charging interest on outstanding debts; authorizes SSA to conduct matches with Medicare and Medicaid usage for SSI program administration purposes and simplifies procedures regarding access to records from financial institutions; and requires SSA to report annually on amounts necessary to combat fraud by applicants and beneficiaries.
- We are keeping Congress advised of our initiatives in an Anti-Fraud Study required by the Foster Care Independence Act of 1999. Initiatives were selected as a result of an agencywide examination of fraud prevention and income reporting measures. This study was prepared in consultation with the Office of the Inspector General and the Department of Justice.
- The Commissioner has forwarded to Congress for its consideration several legislative proposals that would help combat fraud (the first three items are included in H.R. 4857):
  - ▶ Establish civil monetary penalties for offenses involving representative payee misuse or fraudulent application for or misuse of Social Security numbers and cards.
  - ▶ Provide that any benefits misused by a representative payee would be subject to current SSA overpayment recovery authority (e.g., tax refund offset, administrative offset, etc.).
  - ▶ Preclude a fee-for-service representative payee from collecting a fee for months in which benefits were misused.
  - ▶ Require persons or companies that provide Social Security-related services for a fee include in their solicitations a statement that such services are available from SSA free of charge.

# Performance Goals and Results

SSA's 1997 strategic plan, "*Keeping the Promise*," created an improved set of five strategic goals that cut across all programs, encompass all of the Agency's administrative activities and address the universe of competing needs of the wide variety of SSA stakeholders. SSA's five strategic goals are:

- To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation.
- To deliver customer-responsive, world-class service.
- To make SSA program management the best in business, 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.

The performance indicators included in SSA's FY 2000 Government Performance and Results Act (GPR) Annual Performance Report, found on pages 78 through 112, provide a critical link to accomplishment of those long-term strategic goals.

The GPR performance indicators track the performance of our programs and help us and others assess whether the Social Security programs and SSI are achieving their intended outcomes. The 11 key performance indicators which follow were selected from the 77 traditional output, outcome and milestone performance indicators included in the GPR Annual Performance Report (APR). They ensure that we continue to make progress towards the Agency's strategic objectives and are aligned under their respective strategic goals. As in the GPR APR, the performance data in this section are measured against the targets established in the FY 2000 APP or the Revised Final Performance Plan for FY 2000, regardless of whether targets were revised in the FY 2000 Operating Plan or other documents.

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

This goal summarizes the Agency's strategy to ensure that our programs provide a base of economic security for workers, the aged and disabled, now and in the future. For the FY 2000 APP, SSA revised the strategic objectives, indicators and performance goals under this

strategic goal to more accurately reflect the Agency's responsibility for providing information and policy options and for working to improve program outcomes to the greatest possible extent. While Social Security programs have a very important impact on the economic well-being of millions of Americans, the Agency will not exclusively utilize program outcome goals to measure the performance of policy development, research and program evaluation. Instead, this strategic goal utilizes a mix of program outcome goals and goals that measure the extent to which critical information is available for use by decisionmakers. The mix of goals also reflects the fact that the effects of policy development, research and program evaluation are difficult to quantify and measure, since many factors affect program outcomes related to a change in policy.

## **Key Performance Indicator 1**

**Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of OASDI programs**

FY 2000 Goal - Identify and define barometer measures to be used.

The barometer measures will provide information on how Social Security benefits, in combination with many related factors, affect the economic well-being of the public. This information will help decisionmakers identify areas where policy changes may be needed to strengthen the programs.

SSA has identified "barometer measures" in five areas: poverty status, reliance on OASDI benefits, eligibility for OASDI benefits, DI beneficiaries returning to work, and adequacy and equity of benefits. A set of measures was produced based on the latest data available. The measures are included as Appendix A in SSA's latest strategic plan and are discussed in the GPR Performance Report beginning at page 108.

## **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 2000 Goal - Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress and other policymakers.

Providing critical analysis, research and evaluation is integral to the Agency's role in shaping the programs so that they evolve to take account of future demographic and economic trends. The analysis, research and evaluation conducted by the Agency provides decisionmakers with information on the challenges the programs may face and the impact of options for strengthening the programs to meet the current and future needs of beneficiaries and workers.

In February 2000, at the request of Representatives Shaw and Matsui, SSA released a study on "The Impact of Repealing the Retirement Earnings Test on Rates of Poverty." We are currently examining the distributional effects of several solvency proposals using microsimulation models. In June 2000, SSA presented results of our analysis of the impact of H.R. 1217 on the Government Pension Offset to the House Ways and Means Committee.

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

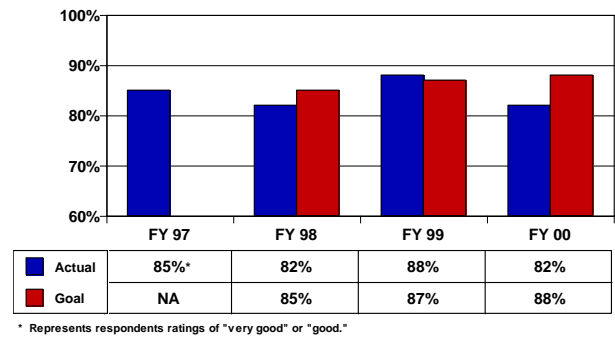
This goal encompasses the range of services that SSA provides in response to customer demand, across all the programs that we administer--OASI, DI and SSI--and through all modes that we use to interface with the public--telephone, in-office, mail, automated self-service and third parties. Chief among these services are processing claims and appeals for benefits, issuing SSNs and updating our records to reflect changes in circumstances reported by customers that affect the amount or continuation of payments.

SSA has a long-standing reputation as the premier Government agency when it comes to providing customer service. SSA strives to provide not just the kind of service that customers expect from Government, or even the best service that Government has to offer, but the kind of service that every organization--public or private--would hope to emulate.

**Key Performance Indicator 3**

Prior to FY 2000, overall customer satisfaction rates were derived from SSA's Annual Customer Satisfaction Survey (ACSS). Respondents were identified from a sample of transactions posted to the master records during a certain period each year. For FY 2000 and beyond, the ACSS has been replaced with SSA's new Interaction Tracking methodology for determining customer satisfaction, where customers are surveyed immediately after a face-to-face or phone contact with SSA.

**Percent of SSA's Core Business Customers Rating SSA's Overall Service as "Excellent," "Very Good" or "Good"**

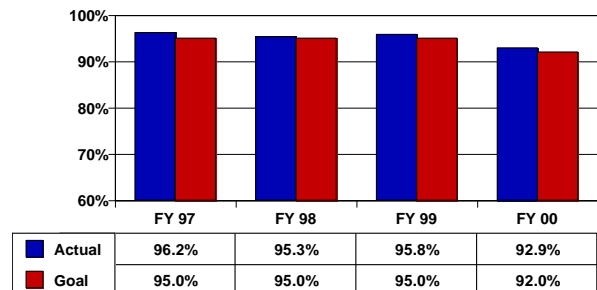


Overall satisfaction is now derived from rolled-up data from the Office Visit Survey, 800 Number Customer Survey and FO Telephone Survey, and weighted to the overall universe of each service mode. Because 800 number and FO caller interactions represent such a large percentage of overall interactions, and because both 800 number and FO callers are less satisfied than office visitors (largely due to problems with access), the result is that the overall satisfaction rate is significantly lower for FY 2000. FY 2001 performance targets for this measure are being reconsidered.

**Key Performance Indicator 4**

SSA's national 800 number delivers outstanding service to the public and has fully achieved the purpose for which it was established--to provide all members of the public an inexpensive, convenient point of entry for conducting their business with SSA.

**Percent of Callers Who Successfully Access the 800-Number Within 5 Minutes of Their First Call**

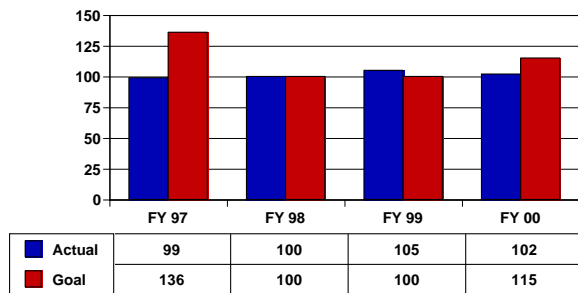


The Agency adjusted the 5 minute access goal from 95 percent to 92 percent in its Revised Final FY 2000 Performance Plan due to reductions to our FY 2000 budget request. The Agency is benchmarking call centers to determine whether the current access measure is still appropriate. A report is due in April 2001 and we will use the lessons learned from the benchmarking study to reconsider our future telephone access measures.

**Key Performance Indicator 5**

SSA strives to deliver the highest levels of service by making fair, consistent and timely eligibility determinations and decisions at all adjudicative levels. However, applicants and beneficiaries sometimes find the current process complex, fragmented, confusing, impersonal and time consuming. To remedy these concerns and perceptions, the Commissioner announced a plan to improve the disability eligibility determination process. The plan is a combination of initiatives that were combined to form an improved disability process for which the Agency has developed a prototype in 10 States. Through this prototype, the Agency will further analyze and refine its improvements to the disability process with an eye towards a phased national rollout.

**Initial Disability Claims Processing Times (Days)**



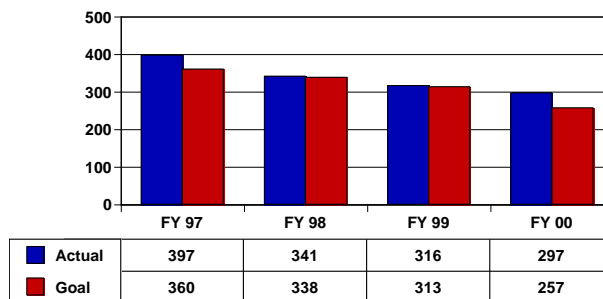
The goal for this indicator was increased from 100 to 115 days in SSA’s FY 2000 Revised Final Performance Plan due to a combination of factors. Those factors included actual FY 1999 performance which reflected an overall trend of increasing disability processing time, anticipated impact in FY 2000 of the new disability process prototypes and reductions to our FY 2000 budget request. The revised goal of 115 days was met for two reasons. First, we overestimated the timing of the full impact of implementing the prototype process in 10 disability determination services (DDSs) in setting the goal. Second, while DDS processing times did increase in FY 2000, field offices cut overall processing time. The increased processing time reflects

more attention on case processing and customer interaction at the initial level. This is one aspect of the prototype process which results in an improved disability adjudication process that reduces fragmentation and duplication and increases consistency and coordination at all adjudicative levels.

**Key Performance Indicator 6**

To improve service to disability applicants, over the past few years, SSA has been testing various process improvements to determine what changes would meet our goal of providing better customer service. After analyzing the results of these extensive tests, the most successful elements, involving process improvements, group-based accountability and automation and data collection improvements, are being implemented first in 10 prototype states and then rolled out nationwide.

**Hearings Average Processing Times (Days)**



The FY 1997 and 1998 goal and actual for this indicator are based on the average for the month of September. The goal and actual for FY 1999 and 2000 are based on an annual average. The FY 2000 goal for this indicator was revised downward from 268 days to 257 days in SSA’s FY 2000 Revised Final Performance Plan due to a combination of factors. Those factors included a decrease in hearings pending levels, closer workload monitoring and implementation of the Hearings Process Improvement Plan in 37 hearing offices in January 2000.

This indicator measures average processing time for both SSA cases and Medicare cases. The latter tend to take longer to process. For example, in FY 2000, average processing time for all cases was 297 days; for SSA cases, it was 258 days, an improvement of 44 days compared to FY 1999. In March, we disposed of nearly 13,000 Medicare cases with an average processing time of over 1,000 days each, which increased average processing time for this indicator by approximately 20 days.

The recent increase in the hearing receipt rate, coupled with the declining Administrative Law Judge (ALJ) corps and lower than anticipated productivity, has resulted in the escalation of the pending per ALJ from 301 cases at the end of October 1999 to 348 cases at the end of FY 2000. This has resulted in relatively static processing times over the past few months rather than continued improvements.

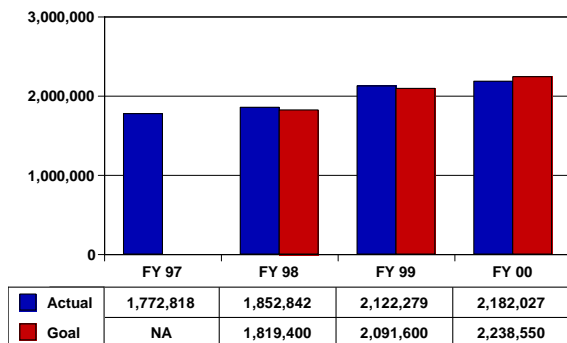
**Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse**

This goal addresses SSA's responsibility, from both a service and business perspective, to pay benefits accurately and otherwise be a good steward of the money entrusted to its care. This responsibility entails establishing and maintaining a record of an individual's earnings for use in determining entitlement to benefits and payment amounts, making accurate eligibility and entitlement decisions, detecting overpayments, deterring fraud, collecting debt and ensuring that we carry out our operations efficiently.

**Key Performance Indicator 7**

A redetermination is a review of eligibility to make sure that a recipient is still eligible and that they are receiving the correct amount of SSI benefits.

**SSI Non-Disability Redeterminations**

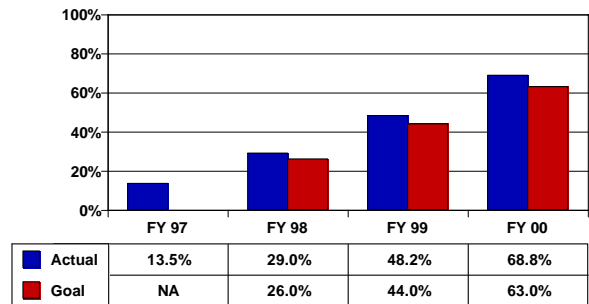


The target for this workload measure was adjusted downward from the FY 2000 APP target of 2,238,550 to 2,025,000 in SSA's FY 2000 Operating Plan based on reductions to our FY 2000 budget request and the resulting impact on available resources. SSA regional offices all set quarterly interim targets to ensure that 99 percent of the redeterminations were cleared by the end of FY 2000.

**Key Performance Indicator 8**

In the program management and stewardship area, SSA conducts periodic reviews called continuing disability reviews (CDRs) to determine whether individuals receiving disability benefits have medically improved so that they are no longer disabled and eligible for benefits. The CDR process allows SSA to ensure the integrity of payments to individuals in the DI and SSI programs by monitoring the disability status of beneficiaries.

**Percent of Multi-Year CDR Plan Completed**

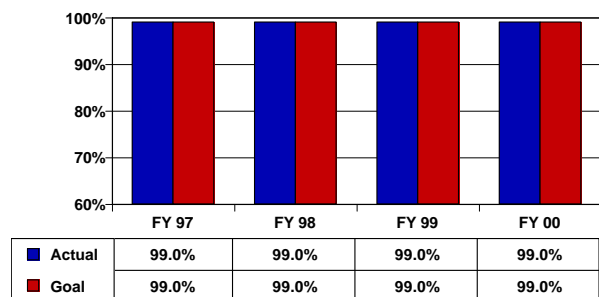


Based on the May 16, 2000, revision of SSA's CDR 7-year plan, the 63 percent completion goal included in the FY 2000 APP was raised to 66 percent. SSA exceeded the APP goal as well as the adjusted goal.

**Key Performance Indicator 9**

Reports of earnings must be filed annually by every employer who is liable for Social Security and Medicare taxes. Employers may submit wage reports to SSA on paper or on electronic or magnetic media.

**Percent of Earnings Posted Correctly**



SSA met its FY 2000 goal of posting 99 percent of earnings correctly. The website of online reference sources, the activities of our Employer Services Liaison

Officers and the 800 number devoted to the Employer Reporting Service Center all helped to ensure the attainment of this goal.

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

SSA's greatest strength lies in the attitudes, skills and drive of its employees. This goal recognizes that the employees of SSA and the DDSs are key to achieving our goals and objectives. 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.

The focus of this goal is to ensure that SSA continues to hire the highly skilled, high performing and highly motivated workforce that is critical to achievement of our mission. While SSA's workforce is one of the Agency's most valuable assets, technology is equally important because it is essential to the effectiveness of that workforce and indispensable to the success of SSA's business approach. SSA must meet growth in both customer expectations and workloads and improve or maintain service while satisfying staffing and streamlining goals. To accomplish this, SSA must use enabling technology to support improved or dramatically altered processes which simplify, speed up and eliminate tasks and free employee time for the more complex activities which are not susceptible to simplification or automation.

**Key Performance Indicator 10**

**Completion of Agency plan for transitioning to the workforce of the future**

This performance indicator has three goals for FY 2000. The Agency's performance against these three goals is as follows:

FY 2000 Goal 1 - Implement competency-based models for transitioning to the workforce of the future

We did not fully implement the goal for competency-based training needs assessment, although a model was developed and implementation began for a pilot

group involving 2 percent of our employees. Actions during the year included:

- the design and installation of the core curriculum model and a survey on SSA's internal website;
- lease of reinforcing training courses to satisfy training needs identified by the assessment; and
- successful negotiations with the union on the parameters of the pilot activity.

We did not implement the competency-based recruitment model, although preparatory work was accomplished this year. Information was gathered to document the need for competency-based recruiting and selection tools and to obtain subject matter expert input on what factors should be considered for selecting new employees. Work on the competency-based models continues in FY 2001.

FY 2000 Goal 2 - Complete the employee survey

On September 18, 2000, a contract was awarded to conduct the employee survey. The goal to complete the employee survey in FY 2000 was not achieved because a series of management meetings were required to address and resolve issues critical to the employee component of the market measurement program, i.e., best survey methodology and scope. The Agency's intent is to conduct an employee survey that combines survey design, data collection, analysis and training into one program in order to determine the link between employee response and productivity, performance and customer service. The Agency plans to complete the employee survey in FY 2001.

FY 2000 Goal 3 - Publish an Agency transition plan

The Transition Plan includes future expectations, their effects on the Agency's workforce needs, and the actions to be taken to transition from the workforce SSA has today to the workforce it will need in the future. The Transition Plan was developed with input from all the SSA components, as well as the unions and management associations. The plan was published on June 5, 2000.

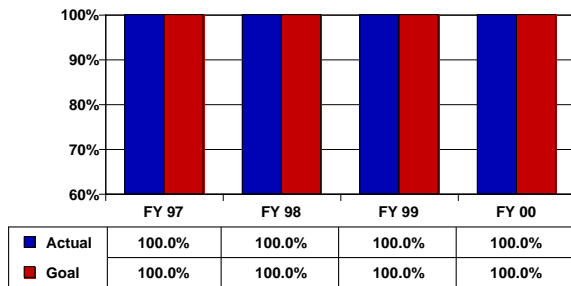
***Strategic Goal: To strengthen public understanding of Social Security programs***

One of SSA's basic responsibilities to the public is to ensure that they understand the benefits available under the Social Security programs to the individual and to the population as a whole. This enables people to make informed choices as they plan for their future.

**Key Performance Indicator 11**

For FY 2000, we successfully implemented the provisions of Section 1143 of the Social Security Act by mailing annual Social Security Statements to workers 25 and older who are not receiving Social Security benefits (approximately 133 million).

**Percent of Individuals Issued Social Security Statements as Required by Law**



The automatic mailing took place at a rate of over 500,000 Statements per business day, with about 10 million issued each month. Workers receive their Statement about three months before their birthday. This timing will be especially helpful to individuals who are thinking about retirement because it will provide them with a current benefit estimate.

The annual Public Understanding Measurement System survey, completed in January 2000, included a series of questions related to customer satisfaction with the Social Security Statement. The data shows that the Statement is pivotal in increasing the level of public knowledge about Social Security.

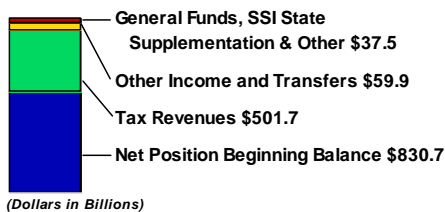
# Highlights of SSA's Financial Position

## Overview of Financial Data

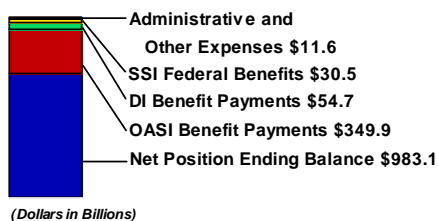
SSA's financial statements and footnotes, appearing on pages 36 through 49, received an unqualified audit opinion for the seventh consecutive year. The balance sheet displayed on page 36 reflects total assets of \$1,029.2 billion, an 18 percent increase over the previous year. This increase is attributable to the steady growth of the OASDI Trust Fund reserves which were invested to generate \$62.2 billion of interest income, an increase of about \$8.5 billion compared to FY 1999. Of these \$1,029.2 billion in assets, almost 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, almost 85 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.

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 2000 and how these funds were used. 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 1.7 percent.

## Where It Comes From...

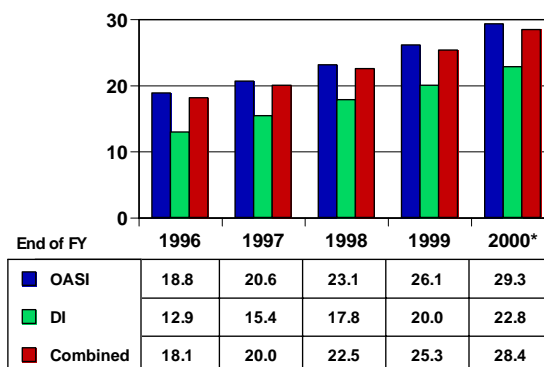


## ...Where it Goes



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 benefits that combined yearend OASDI assets can pay has grown from 18 months at the end of FY 1996 to 28 months at the end of FY 2000, a 56 percent increase.

## Number of Months of Benefits Year End Assets Can Pay



\* Based on 2000 Trustees Report intermediate assumptions.

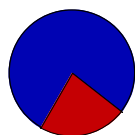
## SSA's Share of Federal Operations

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the following chart. Our programs accounted for 25.4 percent of the \$1.8 trillion FY 2000 Federal disbursements and 29.3 percent of the \$2.0 trillion Federal receipts. In fact, our disbursements accounted for 4.8 percent of the nation's estimated FY 2000 \$9.4 trillion gross domestic product.

## SSA's Share of Federal Receipts and Disbursements

FY 2000

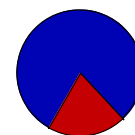
Total Federal Receipts  
\$2,025



SSA Receipts  
\$594 (29.3%)

(Dollars in Billions)

Total Federal Disbursements  
\$1,788



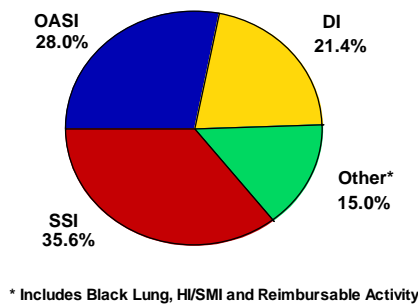
SSA Disbursements  
\$454 (25.4%)



**Use of Administrative Resources**

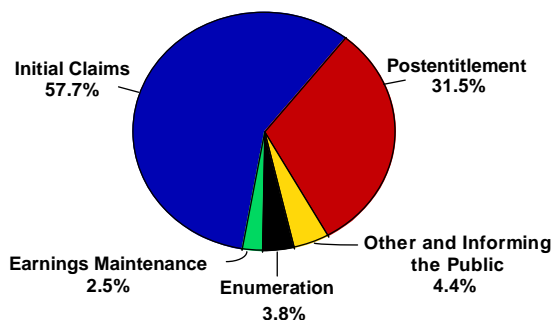
The chart below displays the use of administrative resources in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise less than 20 percent of the total benefit payments made by SSA, they consume nearly 57 percent of annual administrative resources. Claims for DI 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.

**Use of Administrative Resources by Program**



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

**Use of Administrative Resources by Core Business Processes**

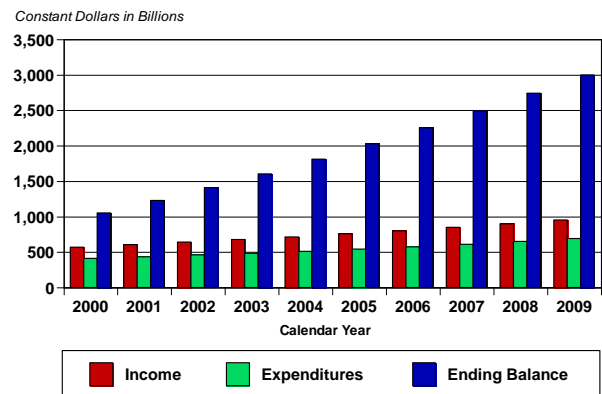


**Short Term Impact on SSA’s Financial Position**

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 2000 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 2037. The table below shows that while combined OASDI expenditures and income are expected to increase by 68 and 68 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 185 percent.

Pages 15 and 16 provide a discussion of the long term solvency of the OASDI Trust Fund. Pages 56 through 73 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, *Accounting for Social Insurance*.

**OASDI Income Exceeds Expenditures Increasing Assets for Short Term**



**Limitation on Financial Statements**

The financial statements beginning on page 36 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

## **FMFIA Assurance Statement Fiscal Year 2000**

*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*

### **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 business 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 business 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 2002.

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.

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. Regional Security Office staffs 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 2000, SSA's managers and contractors conducted reviews of 1,341 management control areas in 169 FOs and staff components.

In 1998, 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 the first two years of this contract, the contractor reviewed operations at SSA's central office, processing centers, all 10 Regional Offices (RO), 70 FOs and a Program Service Center (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. Also, no significant weaknesses indicating noncompliance with laws and regulations have been reported. The contractor will concentrate its efforts on SSA's ROs, FOs and PSCs during the third year of the contract.

### **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 that includes transaction testing and the system manager conducts the limited review.

During FY 2000, SSA's contractor conducted detailed reviews of the Retirement, Survivors and Disability Insurance (RSDI) Accounting System, the RSDI Postentitlement System and the SSA Supply System. The systems managers conducted limited reviews of the Supplemental Security Income Record Maintenance System and the Financial Accounting 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 Comptroller General of the United States.

### **FMFIA Material Weakness**

During FY 2000, SSA did not declare any new material weaknesses under FMFIA. SSA has continued to make progress in correcting the one remaining FMFIA material weakness that relates to the accuracy of accounting records for Supplemental Security Income (title XVI of the Social Security Act) overpayments and underpayments for the Aged, Blind and Disabled.

During FY 2000, SSA implemented three new projects to help clear this weakness. First, SSA implemented a new overpayment recovery process to automatically initiate recovery of uncollected overpayments on a title XVI beneficiary's current payment record. SSA estimates that recovery actions were resumed on \$80 million in uncollected overpayments from this project. Second, through a series of new program accounting codes recorded on title XVI program records, SSA improved financial reporting by correcting about \$120 million of uncollectable overpayments as accounts receivable and about \$40 million in underpayments as accounts payable. Finally, SSA implemented a new system to accurately report overpayments as accounts receivable and underpayments as accounts payable for financial reporting. SSA estimates this new system will correct \$340 million in annual overpayment accounting inaccuracies.

SSA expects to complete corrective actions for this weakness by September 30, 2001. This is a one-year deferral from the target date cited in last year's report. This deferral was necessary for SSA to implement two additional projects as a basis for clearing the weakness. These projects will improve the accuracy of (1) overpayment transactions entered through data input screens and (2) overpayment information reported to the Department of the Treasury.

### **Audit of Financial Statements**

For the last 4 years the Office of the Inspector General 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. 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.

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 the 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 4 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. The two remaining reportable conditions were:

- SSA needs to further strengthen controls to protect its information; and
- SSA needs to complete and fully test its plan for maintaining continuity of operations.

In the audit report for FY 2000, the auditor removed the reportable condition pertaining to continuity of operations and commended the Agency for the aggressive action taken to improve this area. The auditor found that SSA had finalized the list of critical SSA workloads and fully tested the plans for recovering each workload. Further, the critical processes were tested simultaneously. The auditor also found that SSA had established recovery time objectives for each critical workload and established recovery priorities for all systems and applications. The Agency's vendor had also identified secondary facilities for recovering automated operations. Although the auditor removed this as a reportable condition, some areas still requiring improvement were noted. The Agency will continue its efforts to improve in the noted areas to satisfy the auditor's concerns.

The auditor continued to include the reportable condition for protection of data in the FY 2000 audit report. SSA agrees with that finding and will take aggressive action to improve in that area.

### **Passage of the Government Information Security Act**

On October 30, 2000, the Government Information Security Reform Act was passed. This legislation seeks to provide a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources that support Federal operations and assets and to improve oversight of Federal agency information security programs. It requires each agency to implement an information security program that includes periodic risk assessments, cost beneficial risk mitigation strategies, security awareness training, procedures for security incident detection, reporting and response as well as periodic testing and evaluation of the information security program effectiveness. An annual independent evaluation of an agency's information security program is required with the first report due one year from enactment date. In addition to this evaluation report required from the Agency, SSA will report on its compliance in the FY 2001 Performance and Accountability Report.

# Key Financial Management Officials

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Yvette S. Jackson

Deputy Commissioner for Finance, Assessment and Management

Key official responsible for Budget, Finance, Procurement and Quality Assurance



Dale W. Sopper

Assistant Deputy Commissioner for Finance, Assessment and Management



Thomas G. Staples

Associate Commissioner for Financial Policy and Operations

## Consolidated Balance Sheet as of September 30, 2000 and September 30, 1999

	(Dollars in Millions)	
Assets	2000	1999
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 90	\$ 1,035
Investments (Note 4)	1,007,226	854,892
Interest Receivable, Net (Note 5)	16,382	14,029
Accounts Receivable, Net (Notes 5 and 6)	501	286
Other	0	0
Total Intragovernmental	1,024,199	870,242
Accounts Receivable, Net (Notes 5 and 6)	4,696	4,271
Property, Plant and Equipment, Net (Note 7)	341	340
Other	0	4
<b>Total Assets</b>	<b>1,029,236</b>	<b>874,857</b>
<b>Liabilities (Note 8)</b>		
Intragovernmental:		
Accrued Railroad Retirement Interchange	3,096	3,587
Accounts Payable	1,906	1,957
Other	385	457
Total Intragovernmental	5,387	6,001
Benefits Due and Payable	39,646	37,106
Accounts Payable	231	285
Other	840	738
Total	46,104	44,130
<b>Net Position (Note 9)</b>		
Unexpended Appropriations	395	380
Cumulative Results of Operations	982,737	830,347
Total Net Position	983,132	830,727
<b>Total Liabilities and Net Position</b>	<b>\$ 1,029,236</b>	<b>\$ 874,857</b>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Net Cost for the Years Ended  
September 30, 2000 and 1999

	(Dollars in Millions)	
	2000	1999
<b>OASI Program</b>		
Benefit Payments	\$ 349,855	\$ 332,343
Operating Expenses	2,100	2,116
Total Cost of OASI Program	351,955	334,459
Less: Exchange Revenues (Notes 10 and 13)	8	7
<b>Net Cost of OASI Program</b>	<b>351,947</b>	<b>334,452</b>
<b>DI Program</b>		
Benefit Payments	54,691	50,355
Operating Expenses	1,604	1,611
Total Cost of DI Program	56,295	51,966
Less: Exchange Revenues (Notes 10 and 13)	6	5
<b>Net Cost of DI Program</b>	<b>56,289</b>	<b>51,961</b>
<b>SSI Program</b>		
Benefit Payments	34,170	31,390
Operating Expenses	2,672	2,630
Total Cost of SSI Program	36,842	34,020
Less: Exchange Revenues (Notes 10 and 13)	3,886	3,451
<b>Net Cost of SSI Program</b>	<b>32,956</b>	<b>30,569</b>
<b>Other</b>		
Benefit Payments	515	548
Operating Expenses	1,125	1,071
Total Cost of Other	1,640	1,619
Less: Exchange Revenues (Notes 10 and 13)	5	4
<b>Net Cost of Other</b>	<b>1,635</b>	<b>1,615</b>
<b>Total Costs</b>	<b>\$ 446,732</b>	<b>\$ 422,064</b>
<b>Less: Total Exchange Revenue</b>	<b>3,905</b>	<b>3,467</b>
<b>Net Cost of Operations</b>	<b>\$ 442,827</b>	<b>\$ 418,597</b>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Position for the Years Ended  
September 30, 2000 and 1999

	(Dollars in Millions)	
	2000	1999
<b>Net Cost of Operations</b>	<b>\$ 442,827</b>	<b>\$ 418,597</b>
<b>Financing Sources (other than Exchange Revenues)</b>		
Appropriations Used	33,454	30,885
Tax Revenues (Note 11)	501,707	462,657
Imputed Financing (Note 14)	291	288
Interest, Donations and Other Revenues	62,170	53,675
Transfers-In (Note 12)		
Trust Fund Draws and Other	1,010	941
SSI Receivables Recovered	1,410	1,332
Transfers-Out (Note 12)		
Trust Fund Draws and Other	(59)	0
Railroad Retirement Interchange	(3,207)	(3,738)
SSI Receivables Transferred to Treasury	(1,410)	(1,332)
SSI Administrative Fees Transferred to Treasury	(149)	(147)
<b>Total Financing Sources</b>	<b>595,217</b>	<b>544,561</b>
Net Results of Operations	152,390	125,964
Increase (Decrease) in Unexpended Appropriations	15	64
<b>Change in Net Position</b>	<b>152,405</b>	<b>126,028</b>
Net Position, Beginning Balance	830,727	704,699
<b>Net Position, Ending Balance</b>	<b>\$ 983,132</b>	<b>\$ 830,727</b>

The accompanying notes are an integral part of these financial statements.



Consolidated Statement of Budgetary Resources for the Years Ended  
September 30, 2000 and 1999

	(Dollars in Millions)	
	2000	1999
<b>Budgetary Resources Made Available (Note 15)</b>		
Budget Authority	\$ 597,909	\$ 548,228
Unobligated Balances - Beginning of the Period	86	231
Spending Authority from Offsetting Collections	3,809	3,320
Temporarily Not Available and Adjustments	(149,684)	(124,516)
<b>Total Budgetary Resources Made Available</b>	<b>452,120</b>	<b>427,263</b>
<b>Status of Budgetary Resources (Note 15)</b>		
Obligations Incurred	451,779	426,916
Unobligated Balances - Available	319	307
Unobligated Balances - Not Available	22	40
<b>Total Status of Budgetary Resources</b>	<b>452,120</b>	<b>427,263</b>
<b>Outlays</b>		
Obligations Incurred	451,779	426,916
Less: Spending Authority	(3,803)	(3,333)
Obligated Balances - Beginning of the Period	40,699	40,756
Less: Obligated Balance - End of the Period	(42,610)	(40,699)
<b>Total Outlays</b>	<b>\$ 446,065</b>	<b>\$ 423,640</b>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financing for the Years Ended  
September 30, 2000 and 1999

	(Dollars in Millions)	
	2000	1999
<b>Obligations and Non-Budgetary Resources</b>		
Obligations Incurred	\$ 451,779	\$ 426,916
Other Spending Authority	(3,803)	(3,333)
Imputed Financing	291	288
Transfers In (Out)	(5,322)	(5,391)
Exchange Revenue	(170)	(298)
<b>Total Obligations and Non-Budgetary Resources</b>	<b>442,775</b>	<b>418,182</b>
<b>Resources Not Funding Net Cost of Operations</b>		
Change in Undelivered Orders	(49)	(44)
Capitalized Costs	(1)	62
Financing Sources that Fund Costs of Prior Periods	(100)	(9)
<b>Total Resources Not Funding Net Cost of Operations</b>	<b>(150)</b>	<b>9</b>
<b>Costs Not Requiring Resources</b>		
Depreciation and Amortization	99	170
Other	(60)	(36)
<b>Total Costs Not Requiring Resources</b>	<b>39</b>	<b>134</b>
Financing Sources Yet to Be Provided	163	272
<b>Net Cost of Operations</b>	<b>\$ 442,827</b>	<b>\$ 418,597</b>

The accompanying notes are an integral part of these financial statements.

# SOCIAL SECURITY ADMINISTRATION

## Notes to the Principal Financial Statements

### 1

## Summary of Significant Accounting Policies

### Reporting Entity

The Social Security Administration (SSA), as an independent agency of the United States Government, is responsible for administering the Nation's Old-Age and Survivors, and Disability Insurance programs (OASDI), the Supplemental Security Income (SSI) program and Part B of the Black Lung (BL) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources as required by the Chief Financial Officers Act of 1990.

The financial statements have been prepared from the accounting records of SSA in conformity with generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 97-01 and technical amendments. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). These statements are different from the financial reports, also prepared by SSA, pursuant to OMB directives that are used to monitor and control SSA's use of budgetary resources. The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of all funds under SSA control, consisting of two trust funds, three general fund appropriations and five deposit funds. The trust funds are the Old-Age and Survivors

Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. SSA's statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, and Other. FY 2000 and 1999 BL Part B benefit payments were \$515 and \$548 million, respectively. Since the financial activity for BL Part B has become immaterial overall to the consolidated financial statements, they are no longer presented as a major program on any financial statements. Instead, BL financial activity has been combined with Other.

### Administrative Expenses

SSA initially charges administrative expenses to the Limitation on Administrative Expenses (LAE) appropriation. Section 201 (g) of the Social Security Act requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate trust or general fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate trust fund and general funds accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

### Recognition of Financing Sources

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. Governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI and BL programs and funding from Treasury's General Fund for the Office of the Inspector General appropriation.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual FICA taxes payable, actual SECA taxes paid and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate), credits for military service, income taxation of Social Security benefits and interest on trust fund unnegotiated benefit payment checks are also included in tax revenues (See Note 11, Tax Revenues).

Revenues from sales of goods and services to the public include payments SSA receives from those States choosing to have SSA administer their State supplementation of Federal SSI benefits.

Other financing sources consist primarily of reimbursable services. Reimbursements are recognized as the services are performed (See Note 10, Exchange Revenues). These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as property, plant and equipment as specified by law.

Capitalized expenditures are recognized in the Statement of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

**Reclassifications**

Certain FY 1999 balances have been reclassified to conform to FY 2000 financial statement presentations, the effect of which is immaterial.

2

## Fund Balance with Treasury

		<i>(In Millions)</i>	
		2000	1999
Trust Funds			
OASI	\$	(309)	\$ 151
DI		(62)	(36)
Appropriated Funds			
SSI		340	816
Other		121	104
<b>Total</b>	<b>\$</b>	<b>90</b>	<b>\$ 1,035</b>

**Categories of Funds**

		<i>(In Millions)</i>				
		Obligated	Not	Deposit &		
		Not Paid	Obligated	Expended	Receipt	
					Accounts	Total
2000						
OASI	\$			\$ (309)		\$ (309)
DI				(62)		(62)
SSI		271	53		16	340
Other:						
BL		43	7			50
Misc.					71	71
<b>Total</b>	<b>\$</b>	<b>314</b>	<b>\$ 60</b>	<b>\$ (371)</b>	<b>\$ 87</b>	<b>\$ 90</b>

		<i>(In Millions)</i>				
		Obligated	Not	Deposit &		
		Not Paid	Obligated	Expended	Receipt	
					Accounts	Total
1999						
OASI	\$			\$ 151		\$ 151
DI				(36)		(36)
SSI		542	261		13	816
Other:						
BL		49	1			50
Misc.					54	54
<b>Total</b>	<b>\$</b>	<b>591</b>	<b>\$ 262</b>	<b>\$ 115</b>	<b>\$ 67</b>	<b>\$ 1,035</b>

The fund balance with Treasury, shown on the Balance Sheet, represents the total of all of SSA's undisbursed account balances with the Department of Treasury. Other fund types consist of deposit funds and receipt accounts.

Transfers between the Trust Funds and Treasury are managed to favor the financial position of the Trust Funds. Therefore, investments held by the Trust Funds are liquidated only as needed by Treasury to cover benefit payment checks. The negative fund balances reported for the Trust Funds are the result of the policy to protect the Trust Fund investments by not liquidating the investments until the cash is needed. To maintain consistency with Treasury year-end reporting requirements, the Trust Fund balances were not reclassified as liabilities on the Balance Sheet.

### 3 Centralized Federal Financing Activities

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance and health benefit programs. Accordingly, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statement of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired

prior to that date could elect to either join FERS or remain in CSRS.

One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to CSRS were \$156.6 and \$158.4 million for FY 2000 and 1999, respectively. SSA contributions to FERS were \$123.1 and \$108.5 million for FY 2000 and 1999, respectively. In addition, SSA contributions to the FERS savings plan were \$45.9 and \$40.9 million for FY 2000 and 1999, respectively. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since these data are only reported in total by the Office of Personnel Management.

### 4 Investments

Trust fund balances not required to meet current expenditures are invested on a daily basis in interest-bearing obligations of the U.S. Government. Trust fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the Social Security Act. These investments consist of U.S. Treasury special issues and bonds. Special issues are special public debt obligations for purchase exclusively by the trust funds and for which interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Balance Sheet. U.S. Treasury bonds are carried at amortized cost.

Treasury's methodology uses an average market yield to calculate interest rates for non-marketable Treasury securities, including the Social Security Trust Funds. Investments held for the trust funds mature at various dates ranging from the present to the year 2015. The interest rates on these investments range from 5 7/8 percent to 11 3/4 percent.

	<i>(In Millions)</i>	
	2000	1999
Special Issue U.S. Treasury Securities	\$ 1,007,186	\$ 854,848
U.S. Treasury Bonds - Carrying value	40	44
<b>Total Investments</b>	<b>\$ 1,007,226</b>	<b>\$ 854,892</b>

# 5

## Interest and Accounts Receivables

### Interest Receivable

Intragovernmental receivables consist primarily of accrued interest receivable on investments. These were \$16,382 and \$14,029 million on trust fund investments with the U.S. Treasury for the period June 30 through September 30, 2000 and 1999, respectively.

### Accounts Receivable

#### Intragovernmental

Intragovernmental accounts receivable consist primarily of \$255 million to be transferred to the OASI and DI trust funds from the Department of Defense for military service wage credits and \$195 million of pending collections from retroactive OASI and DI benefit payments for SSI benefit payments paid for the same period (See Note 6, Non-Entity Assets). Intragovernmental accounts receivable for Other is also discussed in Note 6, Non-Entity Assets.

#### With the Public

Accounts receivable with the public consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement under the OASI, DI, SSI and BL programs. The SSI State Supplementation overpayment amount due from beneficiaries is presented as SSI while the Federal portion of SSI overpayments is presented as Other. The BL receivable is also presented as Other. See Note 6, Non-Entity Assets, for a discussion of the SSI Federal overpayments presented as Other.

The estimated allowance for doubtful accounts is determined using a 5-year average of write-offs divided by clearances comprised of write-offs, waivers and collections. That percentage is then applied to outstanding receivables.

### Accounts Receivable by Major Program:

2000 (In Millions)	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.
OASI	\$ 1,710	\$ (109)	\$ 1,601
DI	2,264	(944)	1,320
SSI	501	(64)	437
Other*	3,134	(1,295)	1,839
All Programs	\$ 7,609	\$ (2,412)	\$ 5,197
Accounts Receivable net of intra-agency eliminations.			
*See Note 6, Non-Entity Assets			

1999 (In Millions)	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.
OASI	\$ 1,457	\$ (111)	\$ 1,346
DI	1,886	(764)	1,122
SSI	332	(84)	248
Other*	2,851	(1,010)	1,841
All Programs	\$ 6,526	\$ (1,969)	\$ 4,557
Accounts Receivable net of intra-agency eliminations.			
*See Note 6, Non-Entity Assets			

# 6

## Non-Entity Assets

SSA's Non-Entity Assets consist of SSI benefit overpayments classified as accounts receivable. The FY 1991 Appropriations Act, Public Law 101-517, requires that collections from repayment of SSI benefit overpayments be deposited in the General Fund of the Treasury. These funds, upon deposit, are assets of the General Fund of the Treasury and shall not be used by SSA as an SSI budgetary resource to pay SSI benefit or administrative costs. Accordingly, they are classified as non-entity assets and also presented as Other.

The Intragovernmental Accounts Receivable portion of SSA's non-entity assets represents the offset of retroactive OASI and DI benefits if a beneficiary received SSI payments for the same period. Prior to July 1, 1981, a beneficiary eligible for SSI and OASI or DI, whose OASI and DI benefit payments were delayed and resulted in retroactive benefits, could receive full payment under both programs for the same months. To prevent this windfall,

Public Law 96-265 (Disability Amendments of 1980) contained a provision that requires SSA to offset retroactive OASI and DI benefits.

	(In Millions)	
	2000	1999
Intragovernmental:		
Accounts Receivable - Other	\$ 195	\$ 260
Total Intragovernmental	195	260
Accounts Receivable - Other	1,640	1,578
<b>Total</b>	<b>\$ 1,835</b>	<b>\$ 1,838</b>

## 7

### Property, Plant and Equipment

SSA's property, plant and equipment are considered assets of the OASI and DI Trust Funds. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the trust funds for their use of trust fund assets through the calculation of user charge credits. SSA capitalizes new property, plant and equipment costing over \$100,000.

For FY 1999, the Balance Sheet contains a reclassification of \$48 million for multi-contract purchases of information technology software and hardware. This capital asset was moved from Other Assets to Property, Plant and Equipment, Net.

2000	(In Millions)		
	Cost	Accum. Deprec	Book Value
<b>Major Classes:</b>			
Land	\$ 5	--	\$ 5
Buildings	350	\$ (155)	195
Equipment (incl. ADP Hardware and Software)	264	(162)	102
Leasehold Improvements	111	(72)	39
<b>Total</b>	<b>\$ 730</b>	<b>\$ (389)</b>	<b>\$ 341</b>

1999	(In Millions)		
	Cost	Accum. Deprec	Book Value
<b>Major Classes:</b>			
Land	\$ 5	--	\$ 5
Buildings	345	\$ (147)	198
Equipment (incl. ADP Hardware and Software)	233	(137)	96
Leasehold Improvements	101	(60)	41
<b>Total</b>	<b>\$ 684</b>	<b>\$ (344)</b>	<b>\$ 340</b>

	Estim. Life*	Deprec Method**
Land	N/A	--
Buildings	>20	SL
Equipment	6-10	MSL
Leasehold Improvements	>20	SL

\* Estimated Useful Life      \*\* Method of Depreciation

1-5	1 to 5 years	SL	Straight Line
6-10	6 to 10 years	MSL	Modified Straight Line
11-20	11 to 20 years		(Cost by Property Office
>20	over 20 years		Code divided by 12)

## 8

### Liabilities

2000	(In Millions)		
	Covered	Not Covered	Total
Intragovernmental:			
Accrued RR Retirement Inter	\$ 3,096	\$ -	\$ 3,096
Accounts Payable	70	1,836	1,906
Other	27	358	385
<b>Total Intragovernmental</b>	<b>3,193</b>	<b>2,194</b>	<b>5,387</b>
Benefits Due and Payable	38,706	940	39,646
Accounts Payable	231	0	231
Other	360	480	840
<b>Total</b>	<b>\$ 42,490</b>	<b>\$ 3,614</b>	<b>\$ 46,104</b>

1999	<i>(In Millions)</i>		
	Not		Total
	Covered	Covered	
Intragovernmental:			
Accrued RR Retirement Inter	\$ 3,587	\$ -	\$ 3,587
Accounts Payable	119	1,838	1,957
Other	200	257	457
Total Intragovernmental	3,906	2,095	6,001
Benefits Due and Payable	36,110	996	37,106
Accounts Payable	285	0	285
Other	276	462	738
Total	\$ 40,577	\$ 3,553	\$44,130

## Liabilities Covered by Budgetary Resources

### Accrued Railroad Retirement Interchange

The Accrued Railroad Retirement Interchange represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. Refer to Note 12, Intra-Governmental Financing Sources, for a description of the RRB transfer.

### Accounts Payable

Intragovernmental Accounts Payable consist of amounts due Federal agencies for goods received or services rendered.

### Other Liabilities

SSA's Other Liabilities is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds.

### Benefits Due and Payable

Benefits Due and Payable for SSA's major programs as of September 30, 2000 and 1999 are shown in the table below. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

	<i>(In Millions)</i>	
	2000	1999
OASI	\$ 31,004	\$ 29,017
DI	7,352	6,684
SSI	1,247	1,360
Other	43	45
Total	\$ 39,646	\$ 37,106

## Liabilities Not Covered by Budgetary Resources

### Accounts Payable

Included in Intragovernmental Accounts Payable not covered by budgetary resources is SSI Receivables Owed to Treasury. This liability is recorded for the collection of SSI benefit overpayments that are payable from SSA to the General Fund of the Treasury. It directly relates to the accounts receivable established in the asset portion of the Balance Sheet. Refer to Note 6, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

### Other Liabilities

The Federal Employees' Compensation Act (FECA), administered by the Department of Labor, provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. Current fiscal year claim amounts to be paid by SSA within two years are the current portion; these are included in the Intragovernmental, Other Liabilities line item. SSA's current portion of FECA liability was \$44 and \$40 million as of September 30, 2000 and 1999, respectively. The non-current portion of FECA actuarial liability is comprised of claims that will be paid more than two years in the future. The non-current portion, of \$239 and \$185 million as of September 30, 2000 and 1999, respectively, is recorded in the Other Liabilities line item. This actuarial liability was calculated using historical payment data to project future costs.

The remaining portion of Other Liabilities Not Covered by Budgetary Resources is comprised of: leave earned but not taken, vocational rehabilitation services, and accrued administrative costs in the SSI program.

### Contingent Liabilities

Class action suits have been filed against SSA, which may affect major client populace. These suits may be lost, in whole or in part, in lower courts and/or on appeal and may require a future implementation plan. Any final unfavorable court decisions will be funded from the appropriate trust fund or from the general funds for the SSI program. However, at this time, SSA is unable to



determine an estimate of loss for any class action suits. In the opinion of management and legal counsel, the resolution of the class actions and other claims and lawsuits will not materially affect the financial position or operations of SSA.

## 9 Net Position

SSA's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent appropriated spending authority that is unobligated and has not been withdrawn by Treasury, and obligations that have not been paid. Cumulative results of operations represent the excess of financing sources over expenses since inception.

## 10 Exchange Revenues

Revenue from exchange transactions is recognized when goods and services are provided. Total exchange revenue was \$3,905 and \$3,467 million for FY 2000 and 1999, respectively. SSA exchange revenue primarily consists of SSI State Supplementation. SSA has agreements with 25 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Total supplemental SSI benefits paid by SSA on behalf of the States were \$3,640 and \$3,219 million for FY 2000 and 1999, respectively. SSA is reimbursed by the States in full and earned administration fee revenue in the amount of \$236 and \$222 million for FY 2000 and 1999, respectively. In addition, SSA earned \$29 and \$26 million in other exchange revenue in FY 2000 and 1999, respectively. The goods and services provided in these transactions are priced so that charges do not exceed the Agency's cost.

## 11 Tax Revenues

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security trust funds with tax receipts received during the month. Treasury makes adjustments to the amounts

previously credited to the trust funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security trust funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year or errors made and corrected with either the Internal Revenue Service or SSA but not both. Revenues to the trust funds are reduced for excess employment taxes, which are refunded by offset against income taxes.

Other tax revenues include certain military wage credits, Taxation of Social Security Benefits and FICA/SECA tax credits. The amounts for estimated employment taxes, adjustments for actual taxes payable, and refunds as well as other tax revenues are contained in the following table.

	<i>(In Millions)</i>	
	2000	1999
Estimated Employment		
Taxes Credited to SSA	\$ 486,227	\$ 451,904
Adjustments	3,999	1,234
Refunds	(2,015)	(1,548)
Employment Tax Revenues	488,211	451,590
Other Tax Revenues	13,496	11,067
<b>Total Tax Revenues</b>	<b>\$ 501,707</b>	<b>\$ 462,657</b>

## 12 Intra-Governmental Financing Sources

SSA receives financing sources that are other than Exchange and Non-Exchange Revenue that increase net results of operations during the reporting period. The most significant financing source received from another Federal entity is the drawdown of funds from the HI/SMI Trust Funds for the Health Care Financing Administration's (HCFA) Medicare program. For FY 2000 and 1999, respectively, \$998 and \$953 million were drawn down to cover SSA's operating expenses. These amounts represent the majority of the Transfers-In for Trust Fund Draws and Other line item as presented on the Statement of Changes in Net Position.

Financing outflows may result from transfers of the reporting entity's assets to other Government entities, without reimbursement. SSA financing outflows mainly

consist of transfers to the Railroad Retirement Board (RRB) for the annual interchange and SSI receivable transferred to the Department of the Treasury.

The RRB transfer is for the annual interchange required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June. SSA transferred the railroad retirement interchange (RRI) in the amount of \$3.2 and \$3.7 billion for FY 2000 and 1999, respectively. The accrued liability of \$3.1 and \$3.6 billion for FY 2000 and 1999, respectively, on the Balance Sheet represents amounts due RRB for the period. Also, amounts for railroad workers, who have qualified for and are receiving OASI and DI benefit payments, are included in the benefit payment expenses on the Statement of Net Cost. However, the RRB makes the payments to the qualifying railroad workers on behalf of SSA. SSA compensated RRB in the amount of \$1.1 and \$1.0 billion for FY 2000 and 1999, respectively.

SSA transfers to the Department of the Treasury consist of collections for SSI benefit overpayments that are deposited in the General Fund. These transfers are \$1.4 and \$1.3 billion for FY 2000 and 1999, respectively. In addition, a portion of the administrative fees charged to the States to administer the supplemental SSI benefits program is returned to the U.S. Treasury and amounted to \$149 and \$147 million for FY 2000 and 1999, respectively.

## 13 Cost and Revenue by Budget Function

Shown below are SSA's gross costs, earned revenue and net costs displayed by budget function. Social Security includes the costs and revenues associated with the OASI and DI programs. Income Security includes the costs and revenues associated with the SSI and BL programs. Medicare includes the costs and revenues that SSA incurs in performing work for the HCFA's Medicare program.

2000 (In Millions)			
	Gross Cost	Less Earned Revenue	Net Cost
Social Security	\$ 408,250	\$ (14)	\$ 408,236
Income Security	37,361	(3,886)	33,475
Medicare	1,121	(5)	1,116
<b>Total</b>	<b>\$ 446,732</b>	<b>\$ (3,905)</b>	<b>\$ 442,827</b>

1999 (In Millions)			
	Gross Cost	Less Earned Revenue	Net Cost
Social Security	\$ 386,425	\$ (12)	\$ 386,413
Income Security	34,572	(3,451)	31,121
Medicare	1,067	(4)	1,063
<b>Total</b>	<b>\$ 422,064</b>	<b>\$ (3,467)</b>	<b>\$ 418,597</b>

## 14 Imputed Financing

The Statement of Net Cost recognizes post-employment benefit expenses, as a portion of operating expenses, of \$570 and \$555 million for FY 2000 and 1999, respectively. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life and health insurance. The Statement of Changes in Net Position recognizes an imputed financing source of \$291 and \$288 million for FY 2000 and 1999, respectively. The imputed financing source represents annual service cost not paid by SSA.

## 15 Status of Budgetary Resources

SSA's obligations incurred consist of expended authority, recoveries of prior year obligations and the change in undelivered orders. The net amount of budgetary resources obligated for undelivered orders as of September 30, 2000 and 1999 are \$745 and \$696 million, respectively.

During FY 2000, adjustments were made to SSA's budgetary resources to increase the indefinite authority for the SSI appropriation for \$2,575 million. The

reapportionment assured that adequate funding would be available for the remainder of the fiscal year.

**Trust Fund Receipts, Obligations and Balances**

All Trust Fund receipts collected in the FY are reported as new budget authority in the Statement of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the Trust Funds. The portion of Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. This excess of receipts over obligations is reported as Temporarily Not Available in the Statement of Budgetary Resources and, therefore, is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the Trust Funds and will become available for obligation as needed in the future. The entire Trust Fund balances in the amounts of \$965,170 and \$815,458 million as of September 30, 2000 and 1999, respectively, are included in Investments on the Balance Sheet.

The following table presents Trust Fund activities and balances for fiscal years 2000 and 1999:

	<i>(In Millions)</i>	
	2000	1999
Trust Fund Balance, Beginning	\$ 815,458	\$ 690,927
Receipts	563,245	516,259
Less Obligations	413,533	391,728
Excess of Receipts Over Obligations	149,712	124,531
Trust Fund Balance, Ending	\$ 965,170	\$ 815,458

In FY 1999, SSA reported beginning and ending Trust Fund balances in the Statement of Budgetary Resources as Unobligated Balances - Beginning of the Period and Unobligated Balances - Available, respectively. SSA has reclassified these amounts so that the Statement of Budgetary Resources for FY 1999 is consistent with that for FY 2000.



## Balance Sheet by Major Program as of September 30, 2000

Assets	(Dollars in Millions)					
	OASI	DI	SSI	Other	Intra-Agency Eliminations	Consolidated
Intragovernmental:						
Fund Balance with Treasury	\$ (309)	\$ (62)	\$ 340	\$ 121		\$ 90
Investments	893,519	113,707	0	0		1,007,226
Interest Receivable, Net	14,603	1,779	0	0		16,382
Accounts Receivable, Net	31,578	7,629	0	195	\$ (38,901)	501
Other	0	157	220	2	(379)	0
<b>Total Intragovernmental</b>	<b>939,391</b>	<b>123,210</b>	<b>560</b>	<b>318</b>	<b>(39,280)</b>	<b>1,024,199</b>
Accounts Receivable, Net	1,334	1,281	437	1,644		4,696
Property, Plant and Equip., Net	190	151	0	0		341
Other	0	0	0	0		0
<b>Total Assets</b>	<b>940,915</b>	<b>124,642</b>	<b>997</b>	<b>1,962</b>	<b>(39,280)</b>	<b>1,029,236</b>
<b>Liabilities</b>						
Intragovernmental:						
Accrued RRI	3,091	5	0	0		3,096
Accounts Payable	31,317	7,612	41	1,837	(38,901)	1,906
Other	411	25	309	19	(379)	385
<b>Total Intragovernmental</b>	<b>34,819</b>	<b>7,642</b>	<b>350</b>	<b>1,856</b>	<b>(39,280)</b>	<b>5,387</b>
Benefits Due and Payable	31,004	7,352	1,247	43		39,646
Accounts Payable	9	8	209	5		231
Other	218	175	303	144		840
<b>Total</b>	<b>66,050</b>	<b>15,177</b>	<b>2,109</b>	<b>2,048</b>	<b>(39,280)</b>	<b>46,104</b>
<b>Net Position</b>						
Unexpended Appropriations	0	0	332	63		395
Cumulative Results of Operations	874,865	109,465	(1,444)	(149)		982,737
<b>Total Net Position</b>	<b>874,865</b>	<b>109,465</b>	<b>(1,112)</b>	<b>(86)</b>		<b>983,132</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 940,915</b>	<b>\$ 124,642</b>	<b>\$ 997</b>	<b>\$ 1,962</b>	<b>\$ (39,280)</b>	<b>\$ 1,029,236</b>

## Schedule of Changes in Net Position for the Year Ended September 30, 2000

	(Dollars in Millions)					
	OASI	DI	SSI	Other	Intra-Agency Eliminations	Consolidated
<b>Net Cost of Operations</b>	\$ 351,947	\$ 56,289	\$ 32,956	\$ 1,635		\$ 442,827
<b>Financing Sources (other than Exchange Revenues)</b>						
Appropriations Used	0	0	32,921	533		33,454
Tax Revenues	430,914	70,793	0	0		501,707
Imputed Financing	78	62	105	46		291
Interest, Donations and Other Revenues	55,561	6,609	0	0		62,170
Transfers-In						
Trust Fund Draws and Other	351,239	56,475	0	999	\$ (407,703)	1,010
SSI Receivables Recovered	0	0	0	1,410		1,410
Transfers-Out						
Trust Fund Draws and Other	(351,290)	(56,472)	0	0	407,703	(59)
Railroad Retirement Interchange	(3,177)	(30)	0	0		(3,207)
SSI Receivables Transferred to Treasury	0	0	0	(1,410)		(1,410)
SSI Administrative Fees Transferred to Treasury	0	0	(149)	0		(149)
<b>Total Financing Sources</b>	<b>483,325</b>	<b>77,437</b>	<b>32,877</b>	<b>1,578</b>		<b>595,217</b>
Net Results of Operations	131,378	21,148	(79)	(57)		152,390
Increase (Decrease) in Unexpended Appropriations	0	0	10	5		15
<b>Change in Net Position</b>	<b>131,378</b>	<b>21,148</b>	<b>(69)</b>	<b>(52)</b>		<b>152,405</b>
Net Position, Beginning Balance	743,487	88,317	(1,043)	(34)		830,727
<b>Net Position, Ending Balance</b>	<b>\$ 874,865</b>	<b>\$ 109,465</b>	<b>\$ (1,112)</b>	<b>\$ (86)</b>	<b>\$ 0</b>	<b>\$ 983,132</b>

## Schedule of Financing for the Year Ended September 30, 2000

	(Dollars in Millions)				
	OASI	DI	SSI	Other	Consolidated
<b>Obligations and Non-Budgetary Resources</b>					
Obligations Incurred	\$ 356,793	\$ 56,740	\$ 36,664	\$ 1,582	\$ 451,779
Other Spending Authority	0	0	(3,747)	(56)	(3,803)
Imputed Financing	78	62	105	46	291
Transfers In (Out)	(4,872)	(301)	(149)	0	(5,322)
Exchange Revenue	(8)	(162)	0	0	(170)
<b>Total Obligations and Non-Budgetary Resources</b>	<b>351,991</b>	<b>56,339</b>	<b>32,873</b>	<b>1,572</b>	<b>442,775</b>
<b>Resources Not Funding Net Cost of Operations</b>					
Change in Undelivered Orders	(39)	(26)	5	11	(49)
Capitalized Costs	0	(1)	0	0	(1)
Financing Sources that Fund Costs of Prior Periods	0	(22)	(78)	0	(100)
<b>Total Resources Not Funding Net Cost of Operations</b>	<b>(39)</b>	<b>(49)</b>	<b>(73)</b>	<b>11</b>	<b>(150)</b>
<b>Costs Not Requiring Resources</b>					
Depreciation and Amortization	27	21	35	16	99
Other	(49)	(36)	0	25	(60)
<b>Total Costs Not Requiring Resources</b>	<b>(22)</b>	<b>(15)</b>	<b>35</b>	<b>41</b>	<b>39</b>
Financing Sources Yet to Be Provided	17	14	121	11	163
<b>Net Cost of Operations</b>	<b>\$ 351,947</b>	<b>\$ 56,289</b>	<b>\$ 32,956</b>	<b>\$ 1,635</b>	<b>\$ 442,827</b>

Required Supplementary Information: Schedule of Budgetary Resources  
as of September 30, 2000

	(Dollars in Millions)				
	OASI	DI	SSI	Other	Consolidated
<b>Budgetary Resources Made Available</b>					
Budget Authority	\$ 485,939	\$ 77,306	\$ 33,147	\$ 1,517	\$ 597,909
Unobligated Balances - Beginning of the Period	0	0	42	44	86
Spending Authority from Offsetting Collections	0	0	3,739	70	3,809
Temporarily Not Available and Adjustments	(129,146)	(20,566)	10	18	(149,684)
<b>Total Budgetary Resources Made Available</b>	<b>356,793</b>	<b>56,740</b>	<b>36,938</b>	<b>1,649</b>	<b>452,120</b>
<b>Status of Budgetary Resources</b>					
Obligations Incurred	356,793	56,740	36,664	1,582	451,779
Unobligated Balances - Available	0	0	264	55	319
Unobligated Balances - Not Available	0	0	10	12	22
<b>Total Status of Budgetary Resources</b>	<b>356,793</b>	<b>56,740</b>	<b>36,938</b>	<b>1,649</b>	<b>452,120</b>
<b>Outlays</b>					
Obligations Incurred	356,793	56,740	36,664	1,582	451,779
Less: Spending Authority	0	0	(3,747)	(56)	(3,803)
Obligated Balances - Beginning of the Period	32,804	7,111	544	240	40,699
Less: Obligated Balance - End of the Period	(34,440)	(7,653)	(271)	(246)	(42,610)
<b>Total Outlays</b>	<b>\$ 355,157</b>	<b>\$ 56,198</b>	<b>\$ 33,190</b>	<b>\$ 1,520</b>	<b>\$ 446,065</b>



Required Supplementary Information: Intragovernmental Amounts  
as of September 30, 2000

	(Dollars in Millions)			
	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
<b>Intragovernmental Assets</b>				
Department of the Treasury	\$90	\$1,007,226	\$16,382	
Other				\$501
<b>Total Intragovernmental Assets</b>	<b>\$90</b>	<b>\$1,007,226</b>	<b>\$16,382</b>	<b>\$501</b>
	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities	
<b>Intragovernmental Liabilities</b>				
Department of the Treasury, General Fund		\$1,748		
Railroad Retirement Board	\$3,096			
Other		158	\$385	
<b>Total Intragovernmental Liabilities</b>	<b>\$3,096</b>	<b>\$1,906</b>	<b>\$385</b>	
	Non-Exchange Revenue			
	Transfers-In	Transfers-Out		
<b>Intragovernmental Revenues:</b>				
Department of the Treasury	(\$11)			
Railroad Retirement Board		\$3,207		
Department of Health and Human Services	(999)			
<b>Total Intragovernmental Revenues:</b>	<b>(\$1,010)</b>	<b>\$3,207</b>		

Required Supplementary Stewardship Information: Social Insurance

**Statement of Social Insurance**  
**Old-Age, Survivors and Disability Insurance**  
**75-Year Projection as of January 1, 2000**  
(In billions)

	<u>2000</u>	<u>Estimates from Prior Years</u>			
		<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<i>Actuarial present value<sup>1</sup> for the 75-year projection period of estimated future income (excluding interest)<sup>2</sup> received from or on behalf of:</i>					
Current participants <sup>3</sup> who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	\$11,335	\$10,325	\$9,482	\$8,760	\$8,827
Have attained retirement eligibility age (Age 62 and over)	266	235	204	186	186
Those expected to become participants (Under Age 15) <sup>4</sup>	10,088	9,033	8,727	8,181	9,697
All participants	21,688	19,593	18,413	17,127	18,710
<i>Actuarial present value<sup>1</sup> for the 75-year projection period of estimated future expenditures<sup>5</sup> paid to or on behalf of:</i>					
Current participants <sup>3</sup> who, at the start of projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	17,217	15,676	14,605	13,405	14,346
Have attained retirement eligibility age (Age 62 and over)	4,020	3,856	3,659	3,518	3,440
Those expected to become participants (Under Age 15) <sup>4</sup>	4,297	3,758	3,719	3,539	4,350
All participants	25,534	23,291	21,983	20,462	22,135
<i>Actuarial present value<sup>1</sup> for the 75-year projection period of estimated future excess of income (excluding interest) over expenditures</i>	-\$3,845	-\$3,698	-\$3,570	-\$3,335	-\$3,425
<i>Trust Fund Assets<sup>6</sup> at Start of Period</i>	896	763	656	567	496
<i>Actuarial Present Value<sup>1</sup> for the 75-year Projection Period of Estimated Future Excess<sup>7</sup> of Income (excluding interest) and Trust Fund Assets at Start of Period Over Expenditures</i>	-\$2,949	-\$2,935	-\$2,914	-\$2,768	-\$2,929

## Footnotes to the Statement of Social Insurance

- <sup>1</sup>Present values are computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown and over the 75-year projection period beginning January 1 of that year. Totals do not necessarily equal the sum of the rounded components.
- <sup>2</sup>Income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury.
- <sup>3</sup>Current participants are the “closed group” of individuals age 15 and over at the start of the period. To calculate the actuarial present value of the excess of future income (excluding interest) from or on behalf of these individuals over future expenditures for them or on their behalf, subtract the actuarial present value of future expenditures for them or on their behalf from the actuarial present value of future income (excluding interest) from them or on their behalf. The projection period for the closed group would theoretically include all future working and retirement years, a period which may exceed 75 years in some instances. While the estimates are limited to the 75-year projection period, the present value of future income and expenditures for the closed group participants beyond 75 years is not material.
- <sup>4</sup>Includes births during the period.
- <sup>5</sup>Expenditures include benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.
- <sup>6</sup>Trust fund assets represent the accumulated excess of all past income, including interest on trust fund assets, over all past expenditures for the social insurance program. The assets are invested only in securities backed by the full faith and credit of the Federal Government.
- <sup>7</sup>If this excess is positive, it represents the estimated trust fund assets (expressed in present value dollars) at the end of the 75-year projection period; if negative, the absolute value of the excess represents the magnitude of the unfunded obligation of the program over the 75-year projection period. The calculation of the actuarial balance used for analysis by the Social Security trustees differs from the calculation of the amount presented on this line. The trustees’ actuarial balance is expressed as a percentage of the taxable payroll and includes the cost of attaining a target fund balance equal to the estimated next year’s expenditures at the end of the period.

## Program Description

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as “Social Security,” provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 1999, OASDI benefits were paid to approximately 45 million beneficiaries. Eligibility and benefit amounts are determined under the laws applicable for the period. Current law provides that the amount of the monthly benefit payments for workers, or their eligible dependents or survivors, is based on the workers’ lifetime earnings histories.

The OASDI program has been described as an income transfer program--that is, a program to reduce economic disparity by redistributing income among households. The program transfers income in at least two ways. First, because the program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries--the program transfers income generally from younger to older people. Second, because the retired-worker benefits it pays replace a larger proportion of earned income for lower earners than for higher earners, income is transferred among workers with different earnings levels, even if they are of the same age. The amount of OASDI income and benefits may be altered by changes in laws governing the program.

## Program Finances and Sustainability

As discussed in Note 8 to the consolidated financial statements, a liability of \$38 billion as of September 30, 2000 is included in “Benefits Due and Payable” on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date (\$36 billion as of September 30, 1999, as presented in last year’s report). Virtually all of this amount was paid in October 2000. Also, an asset of \$1,007 billion is recognized for the “investments in Treasury securities” as of September 30, 2000 (\$855 billion as of September 30, 1999). These investments are referred to as “trust fund assets” or “balance” throughout the remainder of this disclosure. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal government.

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2000. This is because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid, or are due to be paid, because benefit payments are primarily nonexchange transactions and are not considered deferred compensation, as would employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker’s expected retirement benefits has been recognized by the time the worker retires.

*Supplementary Stewardship Information* - While no liability has been recognized on the balance sheet for future payments beyond those due at the reporting date, actuarial estimates are made of the long-range financial condition of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

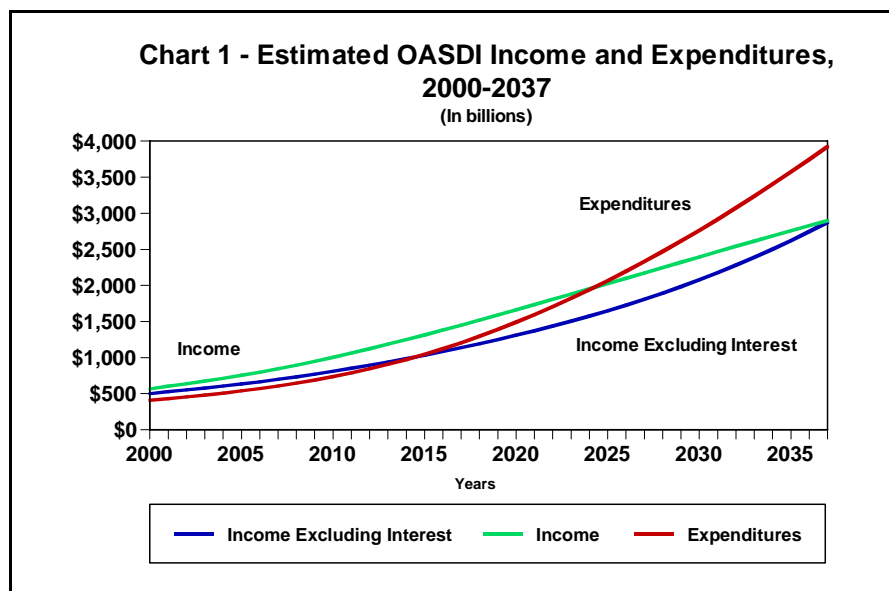
- **income:** payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; interest income from Treasury securities held as assets of the trust funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **income excluding interest:** income, as defined above, excluding the interest income from Treasury securities held as assets of the trust funds;
- **expenditures:** benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **cashflow:** either income excluding interest, or expenditures, depending on the context, expressed in nominal dollars;
- **net cashflow:** income excluding interest less expenditures, expressed in nominal dollars.

All estimates in this section are based on the intermediate assumptions in the 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (see Table 7). Estimates are generally based on a 75-year projection period but are displayed in the charts through the year in which the OASDI trust funds are projected to become exhausted (2037 for this accountability report). The statement presented on page 56 and the supplementary stewardship information below are derived from estimates of future income and expenditures based on these assumptions and on the current Social Security Act, including future changes previously enacted. Estimates extending far into the future are inherently uncertain, and uncertainty is greater for the more distant years. This information includes:

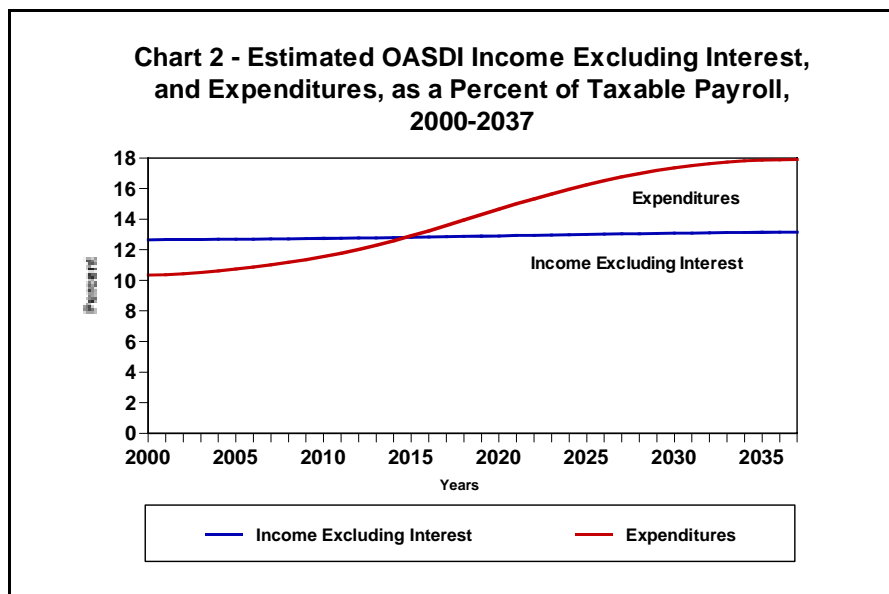
- (1) actuarial present values of future estimated expenditures for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;
- (2) estimated annual income excluding interest and expenditures in nominal dollars and as percentages of taxable payroll and GDP;
- (3) the ratio of estimated covered workers to estimated beneficiaries showing the relationship between the program's tax payers and benefit recipients; and
- (4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty noted above.

*Cashflow Projections* - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and expenditures for 2000-2037 in nominal dollars. The estimates are for the open group population, all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both, during that period. Thus, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include expenditures made to, and on behalf of, such workers during that period.

As chart 1 shows, estimated expenditures start to exceed income (including interest) in 2025. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of low birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated expenditures start to exceed income excluding interest even earlier, in 2015. At that time, to meet all OASDI expenditures on a timely basis, the trust funds would begin to redeem assets (Treasury securities). To finance this redemption, the government would have to increase its borrowing from the public, raise taxes (other than OASDI payroll taxes), and/or reduce expenditures (other than OASDI expenditures). (The government, of course, could avert this redemption by changing the law to increase OASDI taxes and/or reduce OASDI benefits.)



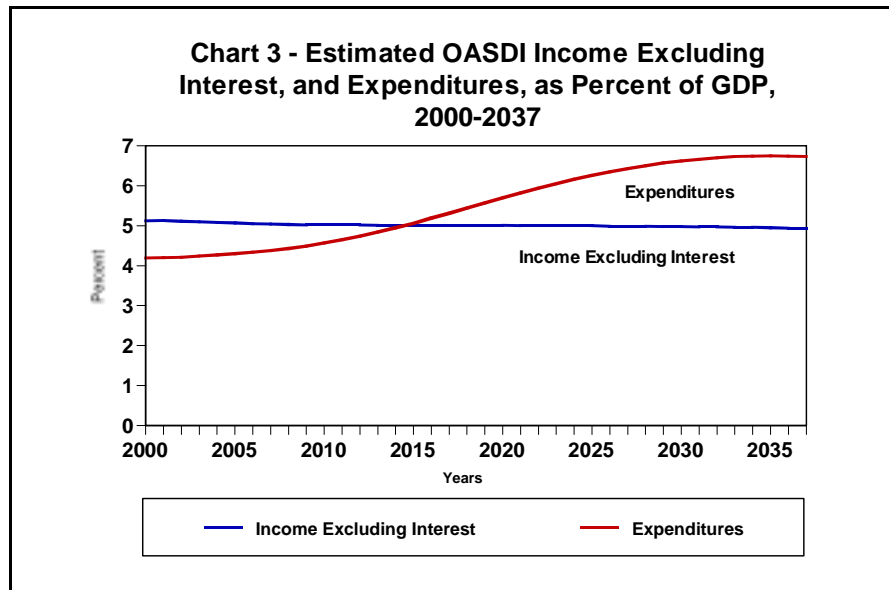
*Percentage of Taxable Payroll* - Chart 2 shows estimated annual income excluding interest and expenditures expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent of taxable payroll), and the 12.4 percent that is paid on taxable self-employment income. Because estimated annual income excluding interest consists primarily of payroll taxes, when expressed as a percentage of taxable payroll, it is close in magnitude to the OASDI payroll tax rate. The amount by which the income exceeds the tax rate reflects revenue transferred to the trust funds based on Federal income-taxation of OASDI benefits. When estimated expenditures are compared to income as percentages of taxable payroll, they necessarily reflect a similar pattern as when compared in current dollars. Whether expressed as percentages of taxable payroll or in current dollars, prior to 2015 estimated annual expenditures are less than estimated annual income, excluding interest, whereas thereafter they are more.



The statement of social insurance on page 56 shows that the present value of the excess of income over expenditures for the 75-year period is -\$3,845 billion. If augmented by the trust fund assets at the start of the period (December 31, 1999), it is -\$2,949 billion. This excess does not equate to the actuarial balance in the Trustees Report. To reconcile these values, the excess (including the starting trust fund assets) would need to consider the cost of attaining a target Trust Fund balance by the end of the period. This cost is \$217 billion, which reduces the excess to -\$3,166 billion. This reduced excess, when expressed as a percent of taxable payroll, is defined by the Trustees in their annual reports to be the actuarial balance. Thus, the excess of -\$3,166 billion equates to an actuarial balance of -1.89 percent of taxable payroll.

One interpretation of this negative actuarial balance (-1.89 percent of payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.89 percentage points in this rate--about 0.95 percentage points for employees and employers each, resulting in a total rate for each of 7.15 percent--is estimated to produce enough income to pay all benefits due under current law for the next 75 years. Equivalent benefits reductions, or combinations of both tax increases and benefit reductions, could be made to achieve the same effect. Any accumulation and subsequent redemption of substantial trust fund assets may have economic and public policy implications that go beyond the operation of the OASDI program itself. Discussion of these broader issues is not within the scope of this report.

*Percentage of Gross Domestic Product (GDP)* - Chart 3 shows estimated annual income, excluding interest, and expenditures, expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the GDP, which represents the total value of goods and services produced in the United States, provides a measure of the size of the OASDI program in relation to the capacity of the national economy to sustain it.



In 1999, OASDI expenditures were about \$393 billion, which was about 4.2 percent of GDP. When the baby boomers will have retired, the cost of the program (based on current law) is estimated to be equal to 6.7 percent of GDP, which is significantly more than it is today. Nearly all of the increase between now and 2037 will occur because baby boomers will become eligible for OASDI benefits, while subsequent lower birth rates will result in fewer workers per beneficiary.

*Sensitivity Analysis* - As indicated by the assumptions shown at the end of this section (Table 7), projections of the future financial status of the OASDI program depend on many economic and demographic assumptions, including GDP, labor force, unemployment, average wages and self-employment earnings, interest rates on Treasury securities, productivity, inflation, fertility, mortality, net immigration, marriage, divorce, retirement patterns and disability incidence and termination. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the expenditures will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because precise long-range projections of these factors are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, death rate, net immigration, real-wage differential, consumer price index, and real interest rate.

For this analysis, the intermediate economic and demographic assumptions in the 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2000 Trustees Report) are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2000 and are based on estimates of income and expenditures during the 75-year projection period 2000-2074.

For each assumption analyzed, one table and two charts are presented. The table shows the present value of the estimated excess of OASDI income over expenditures based on each of three selected values of the assumption being analyzed. The first chart shows estimated annual OASDI net cashflow based on each of those values. The second chart, labeled with the suffix "A," shows the present value of each net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today's dollar. Because of the discounting

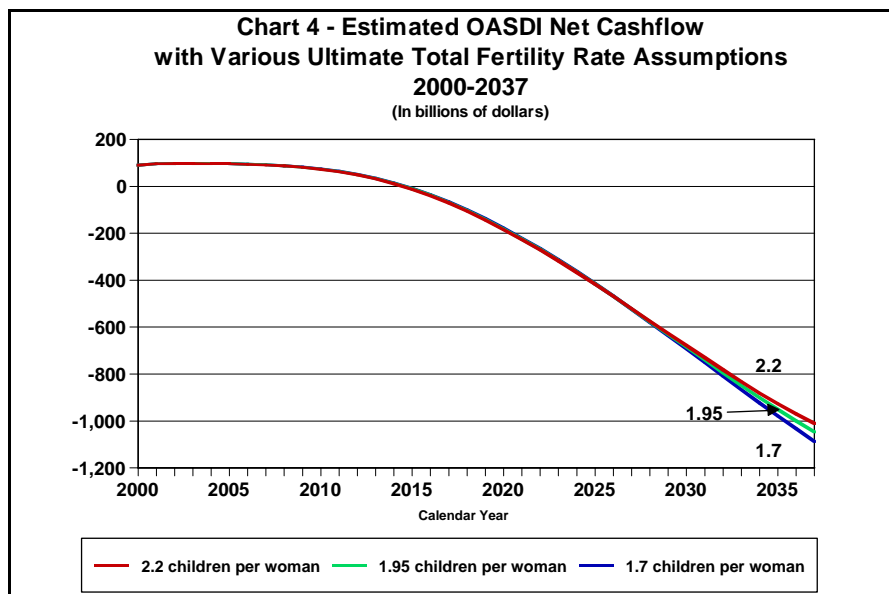
process used to calculate present value, the magnitude of the present value for each year in the second chart is lower than the corresponding net cashflow amount in the first chart--positive values are less positive and negative values are less negative.

*Total Fertility Rate* - Table 1 shows the present value of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate total fertility rate<sup>1</sup>. These assumptions are 1.7, 1.95 and 2.2 children per woman, where 1.95 is the intermediate assumption in the 2000 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2024.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 1.95 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to expenditures would increase to \$4,252 billion, from \$3,845 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to \$3,437 billion.

<b>Table 1: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Total Fertility Rate Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Ultimate Total Fertility Rate	1.7	1.95	2.2
Excess in Present Value Dollars (In billions)	-\$4,252	-\$3,845	-\$3,437

Charts 4 and 4A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 4 shows the estimated annual OASDI net cashflow.



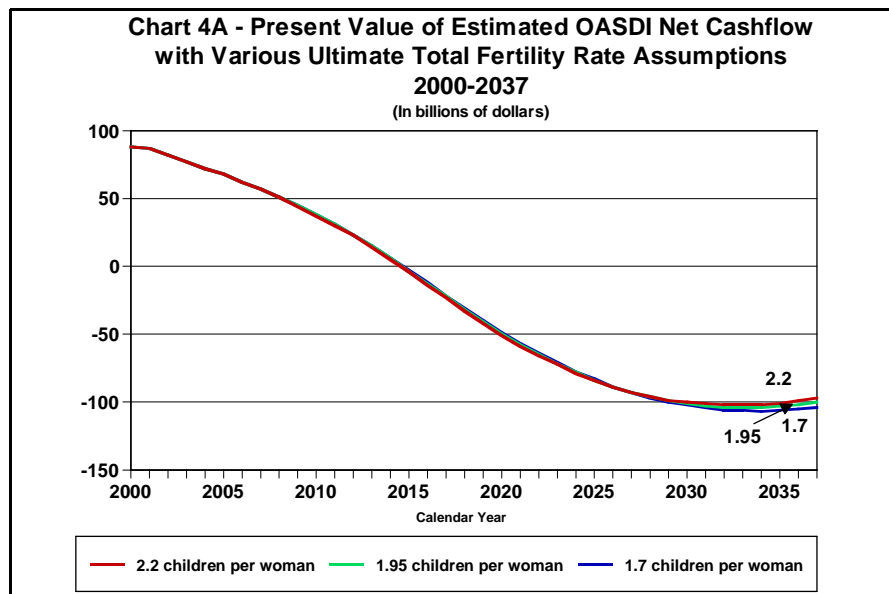
The three patterns of estimated annual OASDI net cashflow shown in Chart 4 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter.

1. The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rate by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.



Very little difference is discernible among the estimates of annual net cashflow based on the three ultimate total fertility rates throughout this period. In particular, it is difficult to discern from Chart 4 that annual net cashflow based on higher fertility rates is lower in the early years, although higher thereafter. In the early years, more births are assumed to result in fewer women in the labor force and more children receiving OASDI benefits. Thus, in the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2027 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from that year on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

Chart 4A shows the present value of the estimated annual OASDI net cashflow.



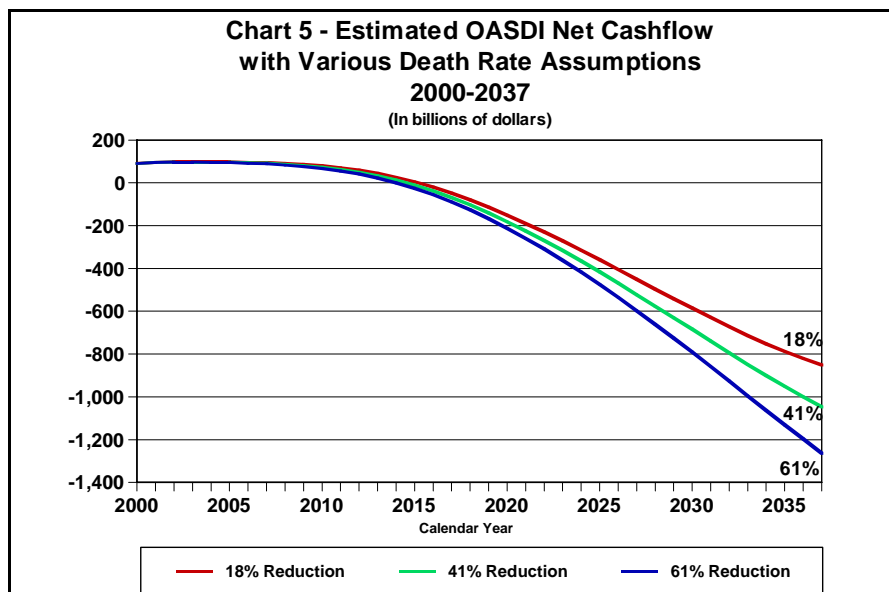
The three patterns of the present values shown in Chart 4A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2014 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2035 for 1.7 and 2034 for the others). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2035 than it would to cover the annual deficit in 2034.

*Death Rates* - Table 2 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the percentage decrease assumed to occur during 1999-2074 in death rates by age, sex, and cause of death. The decreases assumed for this period, summarized as changes in the age-sex-adjusted death rate, are 18, 41 and 61 percent, where 41 percent is the intermediate assumption in the 2000 Trustees Report. Note that these assumptions do not apply uniformly to all ages. Some variation by age was assumed in recognition of historical patterns and to ensure that, in terms of the financial status of the OASDI program, estimates based on the summarized 18-percent and 61-percent reduction assumptions would be more optimistic and more pessimistic, respectively, than those based on the intermediate assumption.

Table 2 demonstrates that, if the reduction in death rates is changed from 41 percent, the Trustees' intermediate assumption, to 18 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to expenditures would decrease to \$2,701 billion, from \$3,845 billion; if the reduction were changed to 61 percent, meaning that people live longer, the shortfall would increase to \$5,146 billion.

<b>Table 2: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Death Rate Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Reduction in Death Rates (from 1999 to 2074)	18 Percent	41 Percent	61 Percent
Excess in Present Value Dollars (In billions)	-\$2,701	-\$3,845	-\$5,146

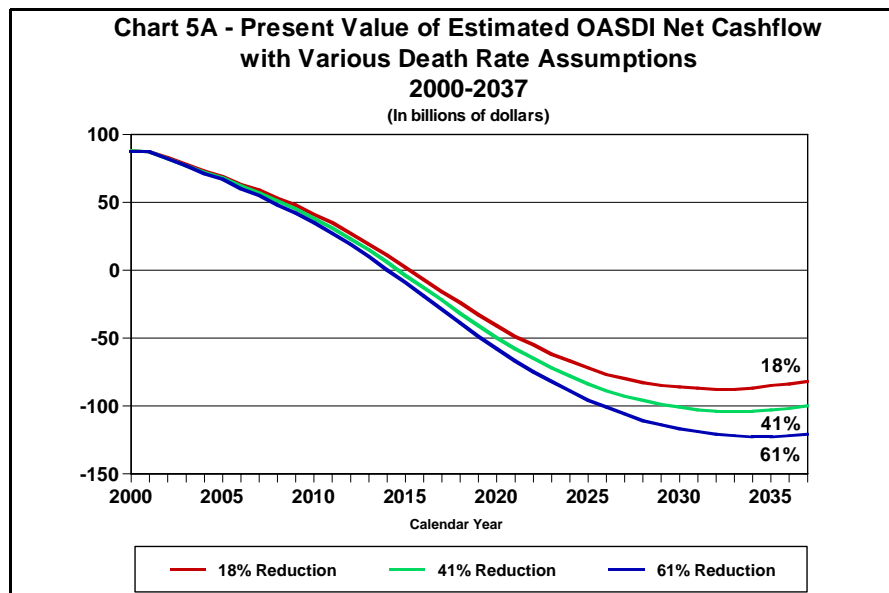
Charts 5 and 5A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2015, 2014 and 2013 for assumptions of 18-percent, 41-percent and 61-percent reduction, respectively, and are negative thereafter. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher expenditures, expenditures increase more than income. For any given year, reductions in death rates at the retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). Although reductions at age 50 to retirement eligibility age add significantly to the number of covered workers, the increased payroll tax income is not large enough to offset the additional retirement and disability benefits resulting from the increased number of people surviving to age 50 and over. At ages under 50, death rates are so low that even substantial reductions do not result in significant increases in either the number of covered workers or beneficiaries.

Chart 5A shows the present value of the estimated annual OASDI net cashflow.



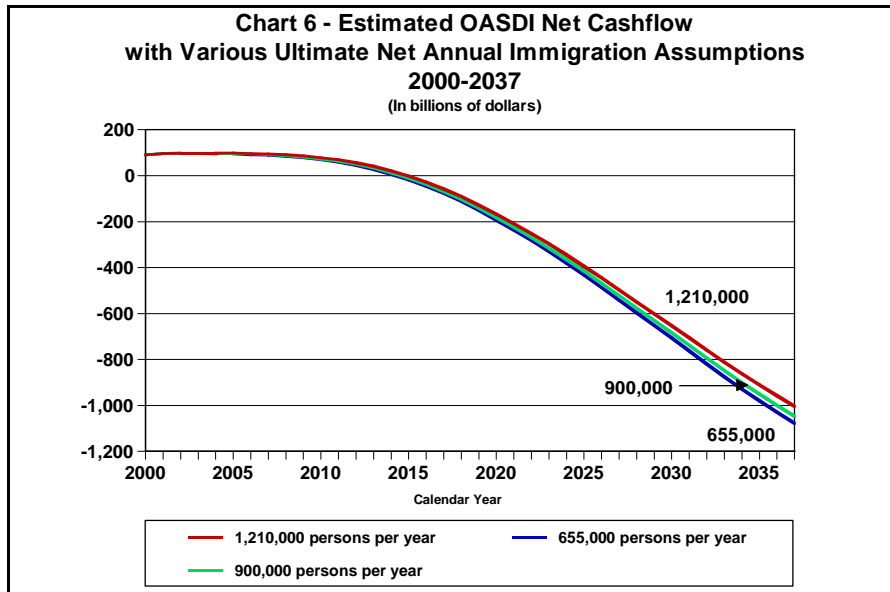
The three patterns of the present values shown in Chart 5A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2015, 2014 and 2013 for assumptions of reductions of 18, 41 and 61 percent, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033, 2034 and 2035 for assumptions of reductions of 18, 41 and 61 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

*Net Annual Immigration* - Table 3 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the magnitude of net annual immigration. These assumptions are that the ultimate net annual immigration will be 655,000 persons, 900,000 persons and 1,210,000 persons, where 900,000 persons is the intermediate assumption in the 2000 Trustees Report.

Table 3 demonstrates that, if net annual immigration is changed from 900,000 persons, the Trustees' intermediate assumption, to 655,000 persons, the shortfall for the period of estimated OASDI income relative to expenditures would increase to \$3,966 billion, from \$3,845 billion; if the net annual immigration were changed to 1,210,000 persons, the shortfall would decrease to \$3,676 billion.

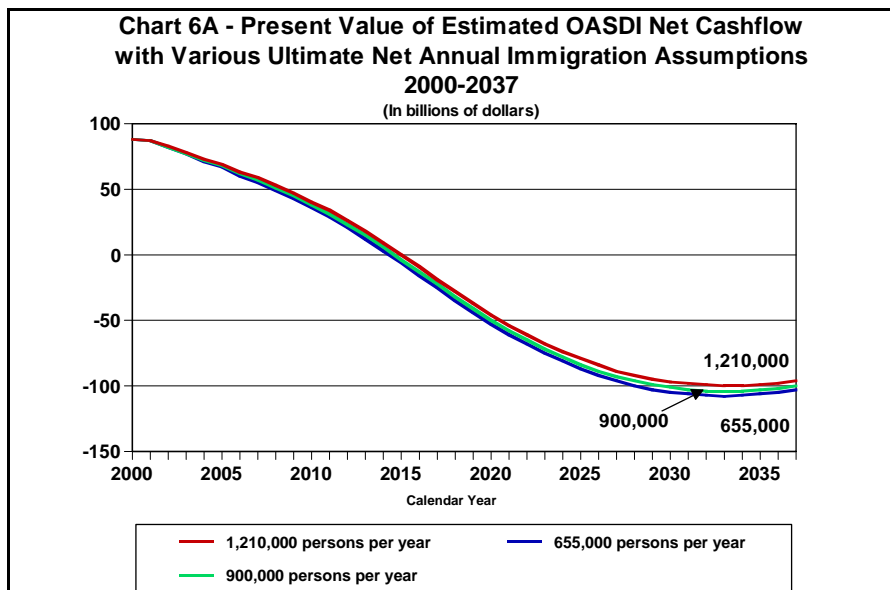
<b>Table 3: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Net Annual Immigration Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Ultimate Net Annual Immigration	655,000 Persons	900,000 Persons	1,210,000 Persons
Excess in Present Value Dollars (In billions)	-\$3,966	-\$3,845	-\$3,676

Charts 6 and 6A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 6 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter. Very little difference is discernible in the early years among the estimates of net annual cashflow based on the three assumptions about net annual immigration. Year by year, as net annual immigration results in an accumulation of each of the three immigrant assumptions, differences become apparent. Because immigration generally occurs at relatively young adult ages, the effects are similar to those of total fertility rates, except that the ultimate effect occurs earlier. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, annual net cashflow, year by year, is higher (less negative in later years) for higher net annual immigration. As more and more of the larger immigration cohorts enter the labor force, the increased payroll taxes that accumulate are only partially offset by subsequent increased benefits. Thus, annual net cashflow based on higher net annual immigration is increasingly higher (less negative) than annual net cashflow based on lower net annual immigration.

Chart 6A shows the present value of the estimated annual OASDI net cashflow.



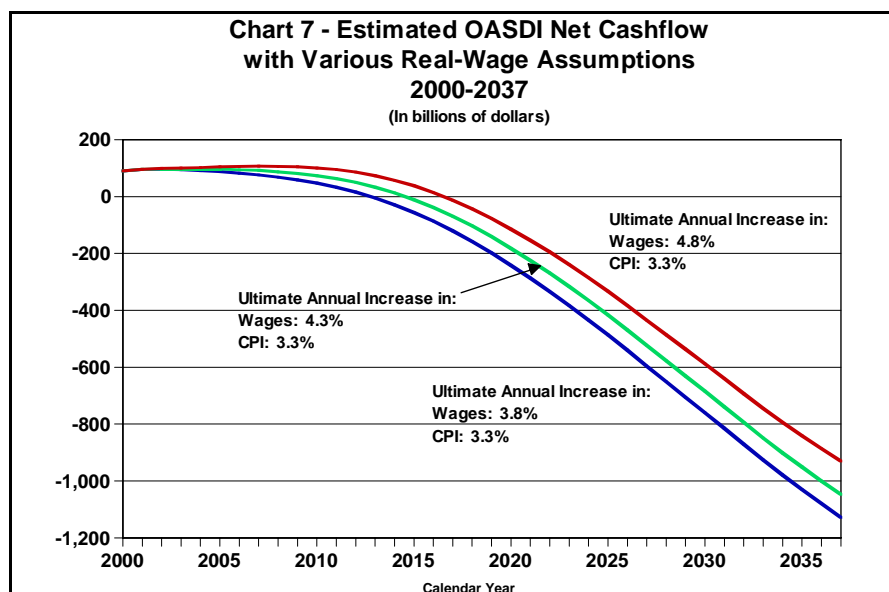
The three patterns of the present values shown in Chart 6A are similar. The present values decrease steadily through 2033. They remain positive through 2014 and are negative thereafter. Present values based on all three assumptions about annual net immigration begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

*Real-Wage Differential* - Table 4 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.5, 1.0 and 1.5 percentage points, where 1.0 percentage point is the intermediate assumption in the 2000 Trustees Report. The real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). In each case, the ultimate annual increase in the CPI is assumed to be 3.3 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.8, 4.3 and 4.8 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.0 percentage point, the Trustees' intermediate assumption, to 0.5 percentage point, the shortfall for the period of estimated OASDI income relative to expenditures would increase to \$4,252 billion from \$3,845 billion; if the ultimate real-wage differential were changed from 1.0 to 1.5 percentage points, the shortfall would decrease to \$3,263 billion.

<b>Table 4: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Real-Wage Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Ultimate Percentage Change in Wages - CPI	3.8 - 3.3	4.3 - 3.3	4.8 - 3.3
Excess in Present Value Dollars (In billions)	-\$4,252	-\$3,845	-\$3,263

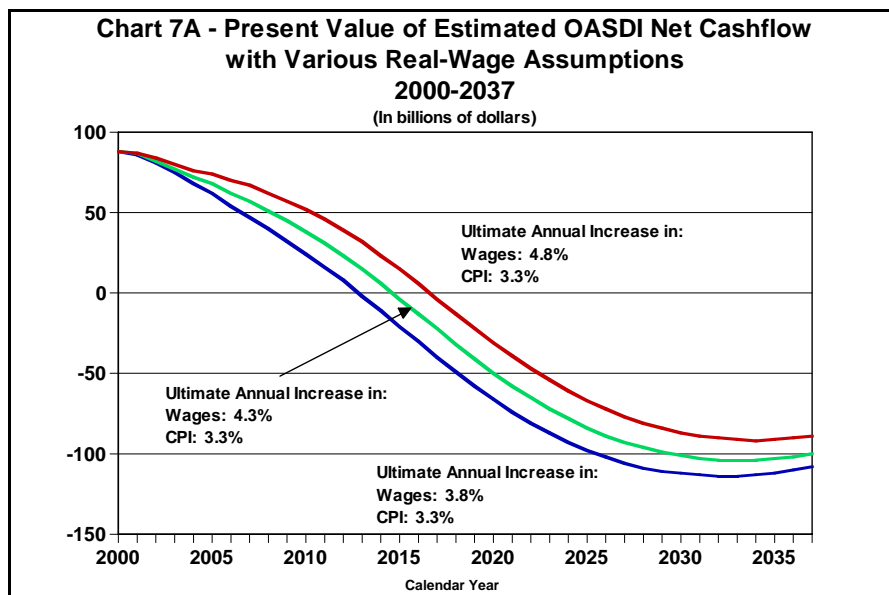
Charts 7 and 7A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 7 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2037. Estimated net cashflow remains positive through 2012, 2014 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively, and is negative thereafter.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher (less negative in later years) for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small while the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2012, 2014 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033, 2034 and 2035 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

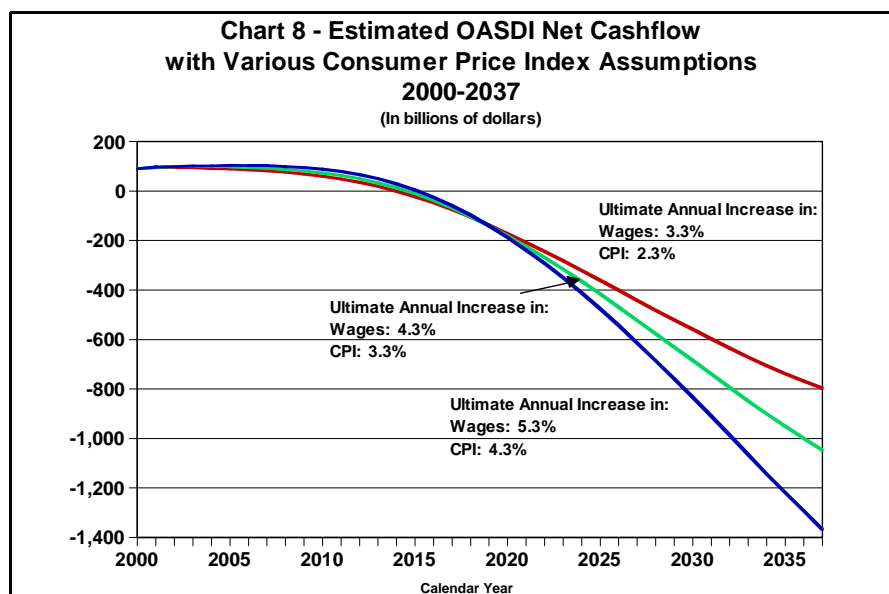
*Consumer Price Index* - Table 5 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.3, 3.3 and 4.3 percent, where 3.3 percent is the intermediate assumption in the 2000 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.0 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.3, 4.3 and 5.3 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 3.3 percent, the Trustees' intermediate assumption, to 2.3 percent, the shortfall for the period of estimated OASDI income relative to expenditures would increase to \$4,148 billion, from \$3,845 billion; if the ultimate annual increase in the CPI were changed to 4.3 percent, the shortfall would decrease to \$3,530 billion. This seemingly counter-intuitive result--that

higher CPI-increases result in decreased shortfalls, and vice versa--occurs because varying CPI-increases while retaining the same annual real-wage differentials affects earnings (and, therefore, taxes) sooner than benefits (and, therefore, expenditures). See the discussion below for a more complete explanation.

<b>Table 5: Present Value of Estimated Excess of OASDI Income over Expenditures with Various CPI-Increase Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Ultimate Percentage Change in Wages - CPI	3.3 - 2.3	4.3 - 3.3	5.3 - 4.3
Excess in Present Value Dollars (In billions)	-\$4,148	-\$3,845	-\$3,530

Charts 8 and 8A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 8 shows the estimated annual OASDI net cashflow.



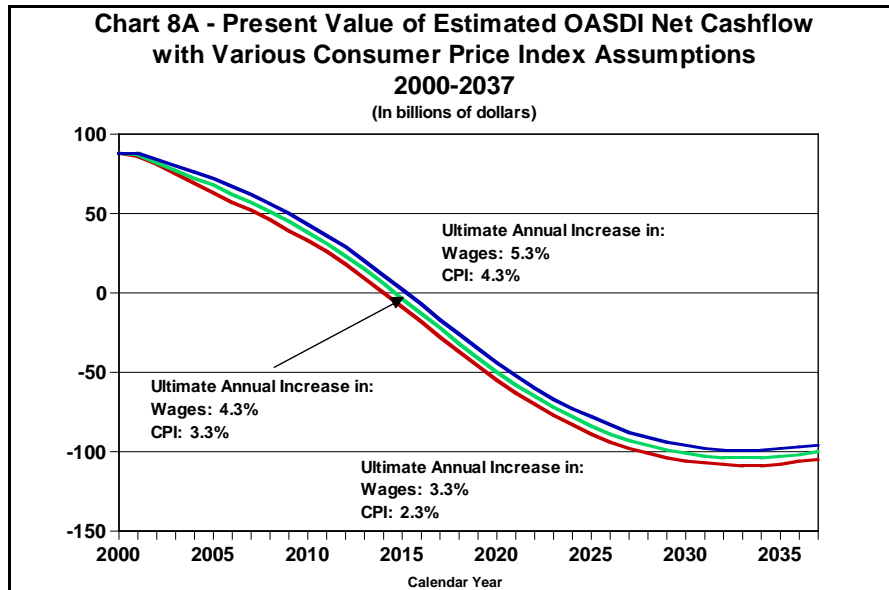
The three patterns of estimated annual OASDI net cashflow shown in Chart 8 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2037. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher initial benefits. Larger increases in the CPI also produce higher benefits directly, by increasing the cost-of-living adjustments to benefits. Thus, larger increases in the CPI result in both higher income and higher expenditures.

Theoretically, if expenditures were increased each year by the same percentage as income, the magnitude of annual net cashflow would increase--positive annual net cashflow would become more positive, and negative annual net cashflow would become more negative. Also, if positive net cashflow were followed by negative net cashflow (or vice versa), the year in which the annual net cashflow would cross zero would be unaffected by altering the assumed rate of change in the CPI. As a result, the patterns would cross each other at that time.

In practice, however, larger increases in the CPI cause income to increase sooner, and thus by more in each year, than expenditures. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Thus, the theoretical results described above are shifted by the relatively large effect on income--positive annual net cashflow is even more positive, and negative annual net cashflow is less negative or becomes positive. Chart 8 shows that annual net cashflow remains positive through 2013, 2014 and 2015 for assumed ultimate annual

increases in the CPI of 2.3, 3.3 and 4.3 percent, respectively. In addition, because of the shift described above, the patterns cross each other about 2020 rather than when the annual net cashflow is zero.

Chart 8A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 8A are similar. The present values decrease steadily through 2033 before beginning to increase. They remain positive through 2014 (2015 for assumed ultimate annual increase in the CPI of 4.3 percent) and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

The magnitudes of the present values in Chart 8A are lower, year by year, than the amounts in Chart 8 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 8.

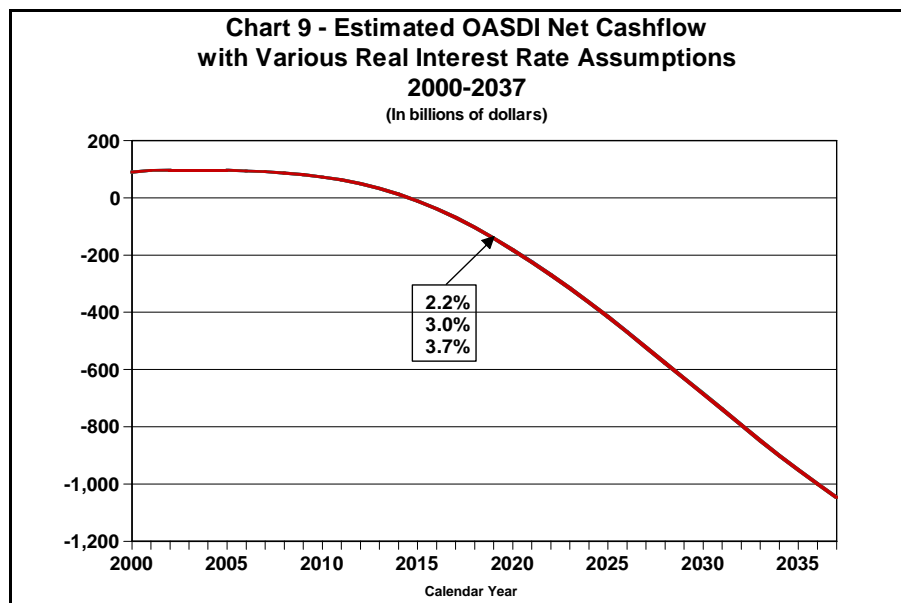
*Real Interest Rate* - Table 6 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold only to the trust funds. These assumptions are that the ultimate annual real interest rate will be 2.2, 3.0 and 3.7 percent, where 3.0 percent is the intermediate assumption in the 2000 Trustees Report.



Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change. Table 6 demonstrates that, if the ultimate real interest rate is changed from 3.0 percent, the Trustees' intermediate assumption, to 2.2 percent, the shortfall for the period of estimated OASDI income relative to expenditures, when measured in present-value terms, would increase to \$5,618 billion, from \$3,845 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to \$2,755 billion.

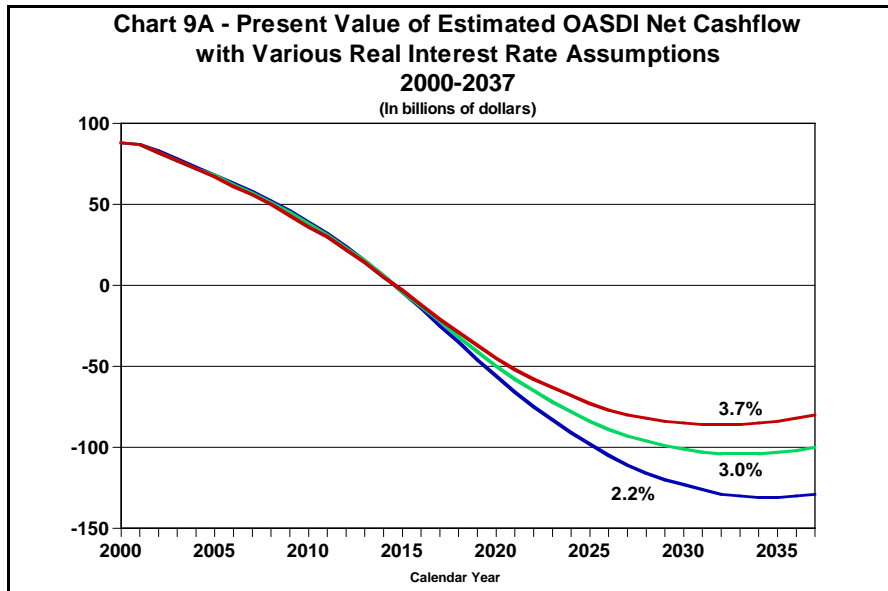
<b>Table 6: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Real-Interest Assumptions</b>			
<b>Valuation Period: 2000-2074</b>			
Ultimate Annual Real Interest Rate	2.2	3.0	3.7
Excess Present Value Dollars (In billions)	-\$5,618	-\$3,845	-\$2,755

Charts 9 and 9A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are identical, because interest rates do not affect cashflow. After increasing through 2003, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter.

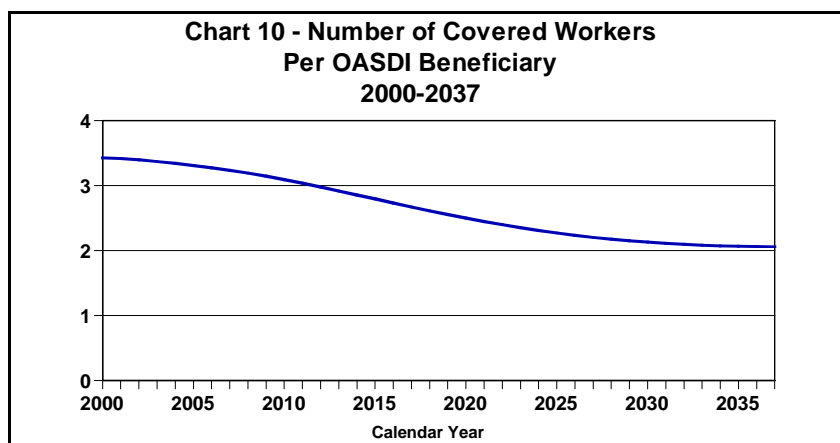
Chart 9A shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 9A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2014 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2034 and 2033 for assumed ultimate real interest rates of 2.2, 3.0 and 3.7 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

Chart 9A shows a crossover in the patterns of the present values of the net cashflow. The crossover occurs at the time the net cashflow changes from positive to negative, which happens in 2015. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

Ratio of Workers to Beneficiaries - Chart 10 below shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes on the basis of services for wages in covered employment and/or on the basis of receipts from covered self-employment. The estimated number of workers per beneficiary will decline from 3.4 in 1999 to 2.1 in 2037.



## **Social Security Assumptions**

The estimates used in this presentation are based on the assumption that the programs will continue as presently constructed. They are also based on various economic and demographic assumptions, including those in the following table:

	Total Fertility Rate <sup>1</sup>	Age-Sex-Adjusted Death Rate <sup>2</sup> (per 100,000)	Period Life Expectancy At Birth <sup>3</sup>		Ultimate Net Annual Immigration (persons per year)	Real-Wage Differential <sup>4</sup> (percentage points)	Average Annual Percentage Change In:			Average Annual Interest Rate <sup>7</sup>
			Male	Female			Average Annual Wage in Covered Employment	CPI <sup>5</sup>	Real GDP <sup>6</sup>	
2000	2.05	796.3	73.9	79.6	900,000	1.5	4.6	3.1	3.5	6.7%
2005	2.03	767.0	74.7	80.0	900,000	1.0	4.2	3.3	2.0	6.2%
2010	2.01	744.2	75.4	80.4	900,000	1.0	4.3	3.3	2.1	6.3%
2020	1.97	692.7	76.4	81.1	900,000	1.0	4.3	3.3	1.7	6.3%
2030	1.95	640.6	77.4	82.0	900,000	1.0	4.3	3.3	1.7	6.3%
2040	1.95	594.8	78.3	82.7	900,000	1.0	4.3	3.3	1.7	6.3%

1. The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in 2024.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 1990, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for any year is the average number of years of life remaining for a group of persons if that group were to experience the death rates by age observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. The real-wage differential is the difference between the percentage increases, before rounding, in the average annual wage in covered employment, and the average annual Consumer Price Index.
5. The Consumer Price Index (CPI) is the annual average value for the calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
6. The real Gross Domestic Product (GDP) is the value of total output of goods and services, expressed in 1996 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
7. The average annual interest rate is the average of the nominal interest rates, which, in practice, are compounded semiannually, for special-issue Treasury obligations sold only to the trust funds in each of the 12 months of the year.

These assumptions and the other values on which these displays are based reflect the intermediate assumptions of the 2000 Trustees Report. Estimates made in certain prior years have changed substantially because of revisions to the assumptions based on changed conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

# Supplemental Information

## Adequacy of Trust Fund Financing

Calendar Year	1950	1960	1970	1980	1990	2000
Trends in factors affecting revenues						
- Taxable wage base for coverage:						
Social Security	\$3,600	\$4,800	\$7,800	\$25,900	\$51,300	\$76,200
Medicare (HI)	NA	NA	7,800	25,900	51,300	No Limit
- Tax contribution & distribution rates:						
- FICA tax rate (employers and employees, each)						
OASI (initiated 1937)	1.50%	2.75%	3.65%	4.52%	5.60%	5.30%
DI (initiated 1957)	NA	.25%	.55%	.56%	.60%	.90%
HI (initiated 1966)	NA	NA	.60%	1.05%	1.45%	1.45%
Combined	1.50%	3.00%	4.80%	6.13%	7.65%	7.65%
- SECA tax rate						
OASI (initiated 1951)	NA	4.125%	5.475%	6.2725%	11.20%	10.60%
DI (initiated 1957)	NA	.375%	.825%	.7775%	1.20%	1.80%
HI (initiated 1966)	NA	NA	.60%	1.05%	2.90%	2.90%
Combined	NA	4.50%	6.90%	8.10%	15.30%	15.30%
- Percent of benefits taxed	NA	NA	NA	NA	50.0% <sup>1</sup>	85.0% <sup>2</sup>
Trends in factors affecting outlays						
- No. of beneficiaries (in millions) <sup>3</sup>						
Retirees/dependents	3.5	14.8	26.2	35.6	39.8	45.1 <sup>4</sup>
Survivors of deceased workers	2.3	10.6	17.1	23.3	28.4	31.4 <sup>4</sup>
Disabled workers/dependents	1.2	3.6	6.5	7.6	7.2	7.0 <sup>4</sup>
Benefit payment COLA increase <sup>5</sup>	NA	.7	2.7	4.7	4.3	6.7 <sup>4</sup>
- No. of workers per beneficiary <sup>6</sup>	NA	NA	NA	9.9%	4.7%	2.4%
- Retirement age	16.5	5.1	3.7	3.2	3.4	3.4 <sup>4</sup>
- Retirement age						
Largest benefits <sup>7</sup>	65 yrs.	65 yrs.	65 yrs.	70 yrs.	70 yrs.	70 yrs.
Full benefits <sup>8</sup>	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.
Reduced benefits	NA <sup>9</sup>	62 yrs. <sup>9</sup>	62 yrs.	62 yrs.	62 yrs.	62 yrs.

1. Income over \$25,000 for an individual or \$32,000 for a couple.

2. Income over \$34,000 for an individual and \$44,000 for a couple; income between \$25,000 and \$34,000 for an individual and between \$32,000 and \$44,000 for a couple are taxed at 50%.

3. The first old-age and survivors benefit checks were issued in 1940 and the first disability checks in 1957. Number of beneficiaries are those in current-payment status for December 31.

4. Estimated, based on the intermediate economic and demographic assumptions in the 2000 Trustees Report. Totals may not add due to rounding.

5. Prior to 1975, benefit increases were at the discretion of Congress. Data represents the increase in the benefit check received during the calendar year.

6. Per OASI beneficiary in 1950; per OASDI beneficiary in 1960, 1970, 1980, 1990 & 2000.

7. Delayed retirement credits, increasing benefits up to age 70, became available in 1971.

8. Beginning at this age, the retirement test no longer applies.

9. Reduced benefits were not offered until 1956 for women and 1961 for men.

## Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see page 22 for more information). Section 206(g) of the Social Security Independence and Program Improvements Act, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases 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. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency along with a page reference for further discussion of these reviews:

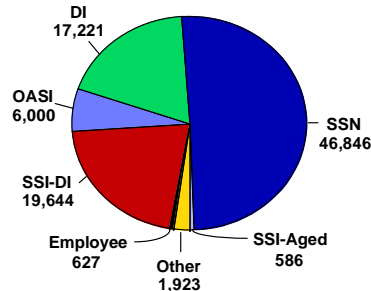
- OASI and SSI quality assurance reviews (page 95)
- Disability quality reviews (page 117)
- SSI redeterminations (page 94)
- CDRs (pages 94 and 119)

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested more than \$1 billion in processing over 9 million alerts in FY 2000 (these data represent currently available data as of October 2000). Much of the apparent increase in costs from FY 1999 is due to the new inclusion of costs expended on CDRs in the State Disability Determination Services, as these are a cost incurred by SSA. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of \$7.7 billion in overpayments detected and/or prevented.

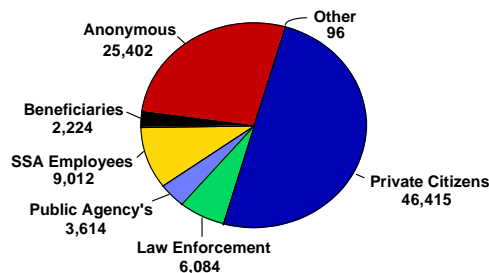
### Anti-Fraud Activities

In FY 2000, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our Office of the Inspector General (OIG), the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The following charts summarize OIG's involvement in fraud activities throughout the FY.

**Total Fraud Allegations by Category**  
Fiscal Year 2000

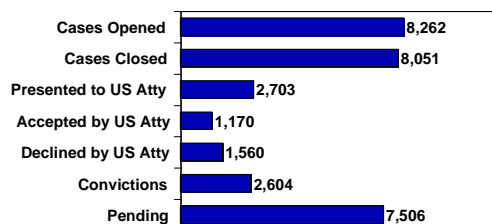


**Sources of All Fraud Allegations**  
Fiscal Year 2000



The integrity of SSA's records and payments is maintained through an overall security program which controls access to SSA data bases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection of data from security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.

**Disposition of All Fraud Cases**  
Fiscal Year 2000



## Debt Management

During the 1990s, SSA has focused on expanding its use of aggressive debt collection tools. As a result of its efforts, the Agency has had many noteworthy successes. In 1992, SSA implemented its tax refund offset (TRO) program to collect delinquent title II overpayments, in the process collecting over \$50 million in that year alone. In 1995 and again in 1998, the Agency expanded its use of the TRO program to include other classes of title II delinquent debts, as well as title XVI debts.

In addition, SSA began using the Treasury Offset Program (TOP) in 1998. TOP assimilated the former TRO program and added the capability of using administrative offset, or collection of a debt from a Federal payment other than a tax refund. To date, TRO and TOP have yielded \$394 million in debt collections.

Also in 1998, SSA began reporting its delinquent title II debtors to credit repositories as a way to induce repayment of the delinquent debts. To date, SSA has reported over 75,000 delinquent debtors to two major credit repositories--Trans Union and Equifax Credit Information Services, Inc. As a result of credit bureau reporting, many debtors have repaid their debts in full or have resumed regular monthly payments of their debts.

FY 2000 saw a continuance of all of the foregoing debt collection activities. FY 2000 was also a time of planning and development of two major debt collection projects that are expected to yield direct collections of more than \$115 million over five years. The two projects, cross program recovery and administrative

wage garnishment, will enable SSA to collect both title II and title XVI delinquent debts.

Cross program recovery was authorized as law in October 1998, and SSA immediately began developing this tool. Cross program recovery is the collection of a former recipient's title XVI debt from any title II benefits due that person. Plans are to implement it in January 2001. Administrative wage garnishment was authorized by the Debt Collection Improvement Act of 1996; it allows Federal agencies to serve garnishment orders directly upon a debtor's employer. SSA plans to implement this tool in FY 2001.

In December 1999, the Foster Care Independence Act of 1999 was signed into law. This legislation authorizes the use of all available debt collection tools for recovering title XVI debts. These tools include administrative offset, interest charging, Federal salary offset, credit bureau reporting and the use of private collection agencies. Shortly after this legislation was passed, planning and development for two of the debt collection tools, administrative offset and credit bureau reporting, was set in motion. Implementation of these two tools is planned for January 2001.

SSA continues to make progress in resolving a material weakness in SSI debt management reported to Congress in 1991 under the Federal Managers' Financial Integrity Act. Please see page 33 for more information.

The following collection data includes all the program debt owed to SSA. Collection data shown in the GPRA Performance Report only includes legally defined overpayments in which beneficiaries have certain due process rights.

<b>FY 2000 Quarterly Data (In Millions)</b>				
	<b>1st Qtr</b>	<b>2nd Qtr</b>	<b>3rd Qtr</b>	<b>4th Qtr</b>
Total receivables (cumulative)	\$6,530.0	\$6,585.2	\$6,919.4	\$7,107.7
Total collections (cumulative)	580.0	1,093.4	1,736.5	2,384.5
Total writeoffs (cumulative)	167.1	374.8	611.1	850.8
TOP collections (cumulative)	22.2	58.5	77.1	84.8
Aging schedule of delinquent debt:				
- 180 days or less	\$500.0	\$415.2	\$435.1	\$569.2
- 181 to 10 years	474.1	444.7	413.5	519.1
- Over 10 years	<u>10.3</u>	<u>10.0</u>	<u>10.6</u>	<u>15.8</u>
- Total delinquent debt	\$984.4	\$869.9	\$859.2	\$1,104.1

<i>SSA's Debt Management Activities</i>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>
Total debt outstanding end of FY (in millions)	\$4,973.8	\$5,119.1	\$5,727.3	\$6,524.4	\$7,107.7
% of outstanding debt:					
- Delinquent	6.6%	14.5%	14.6%	13.5%	15.5%
- Estimated to be uncollectible	27.5%	28.0%	29.0%	30.2%	33.9%
New debt as a % of benefit outlays	0.8%	0.8%	0.8%	1.0%	0.9%
% of debt collected	35.6%	38.9%	33.2%	34.0%	33.5%
Cost to collect \$1	\$0.12	\$0.09	\$0.11	\$0.11	\$0.10
% change in collections from prior FY	3.1%	12.4%	(11.9%)	16.5%	7.6%
% change in delinquencies from prior FY	24.5%	125.1%	12.1%	5.4%	25.6%
Debt clearance rate	30.0%	36.1%	30.1%	30.8%	31.0%
Collections as a % of clearances	79.7%	69.2%	76.2%	73.3%	73.7%
Total writeoffs of debt ( <i>in millions</i> )	\$450.8	\$887.6	\$595.1	\$807.6	\$850.8
Average number of months to clear receivables:					
- OASI	11	12	13	12	12
- DI	26	29	29	25	26
- SSI	28	25	23	20	27

## Management Follow-up to OIG Recommendations

SSA's follow-up to actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of SSA's program operations. When reporting on our follow-up activities, SSA only includes those recommendations with which SSA management concurs. The Inspector General's Report to Congress includes all recommendations.

For FY 2000, SSA began the year with 21 reports carried over from FY 1999 which contained approximately \$427 thousand in costs that management determined should not be charged to the Agency's programs (disallowed costs) and \$73 million which could be used more efficiently (funds put to better use). During the year, SSA has monitored and analyzed 11 new audit reports that contained approximately \$11 million in disallowed costs and approximately \$77 million in funds which could be put to better use.

In FY 2000, management completed action on a total of six audit reports. As a result, for three of these reports containing recommendations related to DDS initial disability claims processing, over \$11 million was recovered in disallowed costs. In addition, SSA

completed action on three audit reports containing recommendations related to the claims process and the postentitlement process which will put over \$38 million to use more efficiently.

SSA is currently tracking 26 audits more than one year old containing recommendations for which final action has not been taken. These audits contain over \$500 thousand in disallowed costs and recommended actions which when implemented could result in over \$111 million being better used.

Disallowed Costs and Funds to be Put to Better Use (in thousands)				
	Reports	Disallowed Costs	Reports	Funds to be Put to Better Use
Beginning of FY	7	\$426.8	14	\$72,809.4
New Reports	5	\$11,298.6	6	\$76,654.3
Total Audits	12	\$11,725.4	20	\$149,463.6
Implemented	3	\$11,209.4	3	\$38,042.7 <sup>1</sup>
End of FY	9	\$515.9	17	\$111,420.9

1. Includes funds from a partially completed report.

# GPRRA Annual Performance Report

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## **Introduction**

The Government Performance and Results Act of 1993 (GPRRA) requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. GPRRA 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 GPRRA. 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 the Social Security Administration (SSA), Agency officials and staff use these plans and reports to lead, 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.

For this FY 2000 GPRRA Performance Report, “*Keeping the Promise*” which was published in 1997 and which covers the period FY 1998 through FY 2002, is the SSA strategic plan in effect. 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 customer-responsive, world-class service
- To make SSA program management the best-in-business, 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 2000 Annual Performance Plan (APP), submitted to Congress in February 1999, sets forth the performance indicators and annual targets that serve as the measures of our

performance in FY 2000. Those FY 2000 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 2000 Performance Plan, published in March 2000, revised a small number of performance indicators and annual targets based on factors including but not limited to subsequent SSA consideration of actual, full-year performance data for FY 1999 and reductions to SSA’s FY 2000 budget request.

Where target performance for an indicator was revised in the Revised Final FY 2000 Performance Plan, that target is used for comparison in this performance report rather than the target in the Annual Performance Plan. In addition, where the wording or definition of an indicator or the definition of a target were changed in the Revised Final FY 2000 Performance Plan, that detail is carried over into the Annual Performance Report.

## **Alignment of the APP and the SSA Budget**

For FY 2000, SSA aligned the strategic goals in its Agency Strategic Plan and accordingly, the performance goals in its APP and budget, by major functional responsibilities rather than by program or budget account.

The program and financing schedules for SSA in the President’s budget do not include program activities, per se. For example, under the heading “Obligations by Program Activity,” SSA’s LAE account displays total obligations by direct program and reimbursable program.

SSA’s programs share many customers in common and rely on a common set of business processes. To highlight just a few examples:

- Many of our SSI applicants are also OASI or DI applicants;
- While there are a few legislative differences in the disability criteria for the DI and SSI programs, the processes we use to determine eligibility for disability benefits under the two programs vary only slightly;
- Much of our research and policy development in the area of disability supports both the DI and SSI programs; and
- We maintain earnings records in support of the OASI, DI and Medicare programs.



Fitting with the common characteristics of our programs, SSA has a single national service-delivery structure that does not specialize by program. By integrating services across all of our programs at the level of the customer, SSA is able to enhance efficiency, avoid duplication of effort and increase opportunities to provide one-stop service to our customers. SSA's administrative costs for all programs and associated functional responsibilities are funded for the most part by the Limitation on Administrative Expenses (LAE) appropriation.

The LAE account funds:

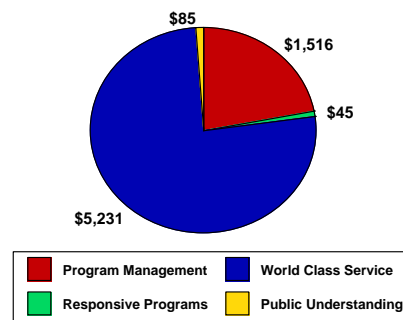
- Salaries and benefits of SSA's Federal employees (excluding the Office of the Inspector General (OIG));
- Related costs for space, equipment, supplies, travel, printing and other non-payroll expenses;
- Systems and telecommunications activities; and
- Expenses of the State Disability Determination Services (DDS), which make disability determinations on behalf of SSA.

The other major appropriation accounts reflected in SSA's APP are the OIG appropriation and the SSI appropriation's extramural research budget (Section 1110).

In distributing its projected administrative costs by Strategic Goal, SSA has made specific assumptions about how the costs of various workloads and/or components are tied to those goals. Obviously, the single largest goal in dollar terms is "World-Class Service," because most of SSA's budget is driven by its customer service responsibilities and the related workload costs. As another example, the "Responsive Programs" goal includes the entire extramural research budget funded by the SSI appropriation as well as the administrative costs for SSA's Offices of Policy and Chief Actuary.

The report on actual FY 2000 costs by APP goal links costs within the LAE, OIG and research budgets to our four functional strategic goals. Because SSA's fifth strategic goal, "Valued Employees," supports the accomplishment of all our basic functions, SSA allocated the resources related to it across the other four goals in its FY 2000 APP.

### FY 2000 Administrative Expenses by Strategic Goal (Dollars in millions)

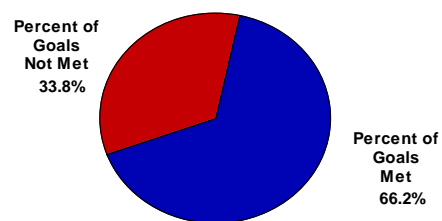


The chart above contains SSA's primary administrative expenses, funded through LAE, that are aligned to strategic goals. SSA incurs additional administrative expenses that are not part of LAE but are reported on the Statement of Net Cost. These include expenses with the Department of the Treasury to assist in managing the OASI and DI Trust Funds and State agencies for vocational rehabilitation of DI and SSI beneficiaries.

### Summary of FY 2000 Performance

During FY 2000, SSA met 66.2 percent of the performance goals set forth in the Agency's FY 2000 Annual Performance Plan and/or, as appropriate, Revised Final FY 2000 Performance Plan. 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 2000 will be reported in the FY 2001 Annual Performance Report. The following chart shows the percent of performance goals met or exceeded in FY 2000, as compared to goals not met. The workload output measures are not included in the calculations for the two pie charts that follow.

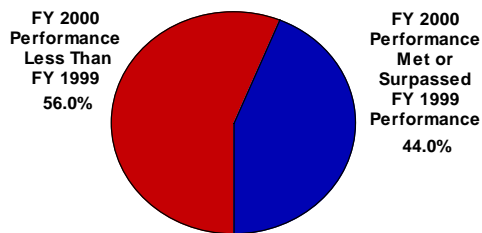
### Summary of Achievement FY 2000 Performance Goals\*



\* Excludes indicators that do not have FY 2000 goals and indicators where FY 2000 actual data are unavailable.

The following chart shows that in FY 2000, actual performance for 44 percent of the numeric indicators met or surpassed actual performance for those indicators in FY 1999. These results reflect the continued favorable trend in SSA performance from year to year. However, they also must be considered in the context that, as we projected in our FY 2001 APP and Revised Final FY 2000 Performance Plan, reductions to our FY 2000 budget request caused us to lower some performance goals and did impact actual FY 2000 performance levels.

**Comparison of FY 2000 Performance to FY 1999 Performance\***  
(Numeric indicators only)



\* Excludes indicators where FY 2000 actual data are unavailable.

**FY 2000 Performance by Strategic Goal**

The following section compares the target level of performance for each performance indicator as set out in SSA’s FY 2000 APP or Revised Final FY 2000 Annual Performance Plan, as appropriate, with the actual level of performance.

This section is organized by strategic goal. An introductory section under each goal summarizes the FY 2000 performance for that goal and lists supporting strategic objectives. Under each strategic objective are listed the performance indicators that are used to measure our performance under that objective. Indicators are quantifiable in most cases. In other cases, where we are devising new ways to measure our performance, 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 2000 target (i.e., goal), present a discussion of actual performance relative to the target, and as appropriate, future actions. For quantifiable indicators, we also display available longitudinal data back to FY 1997. For any indicator that is discontinued effective FY 2001, such discontinuance and its basis are noted. We also summarized SSA’s FY 2000 performance for each of the five goals.

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

Through research and analysis, in FY 2000 SSA continued to provide timely and useful information to decisionmakers to help them address policy issues so as to better serve our beneficiaries and support the Agency’s mission to promote the economic security of the nation’s people. SSA met all but one of the targets under this goal, and that target will be accomplished in March 2001.

The newly developed and reported “barometer measures” provide valuable insights into the poverty status of beneficiaries, reliance on Social Security and Supplemental Security Income benefits, the effects of return to work initiatives, the adequacy of the programs we administer and Retirement, Survivors and Disability Insurance equity and eligibility for various segments of the population. Development of this initial set of barometer measures represents a key milestone in SSA’s delivery of critical information to help shape the dialogue and options for addressing long and short-term Social Security issues and to continually assess program performance in the context of societal trends. The barometer measures are already being used to help identify areas where the programs may be strengthened. A detailed description of the barometer measures is presented as Appendix A of the Social Security Administration’s latest strategic plan, *Mastering the Challenge*. A summary is also presented beginning at page 108. Annual updates and improvements will be published in subsequent years’ reports.

In FY 2000, SSA’s performance indicators in support of SSA efforts to increase self-sufficiency of our beneficiaries receiving disability benefits are included under this strategic goal and our performance indicators focus on our performance with respect to increasing the number of DI adult beneficiaries who begin a trial work period and SSI disabled beneficiaries aged 18-64 who are working but still receiving benefits. These are interim indicators of our progress. Effective with our latest Strategic Plan issued in September 2000, we are adding two indicators that will assess the achievement of long-term self sufficiency. These new indicators will track the number of beneficiaries who achieve steady employment and no longer receive cash benefits. The four indicators will be located under the World Class Service goal.

The following Objectives support this Strategic Goal:

- Promote policy changes, based on research, evaluation and analysis, that shape the OASI and DI programs in a manner that takes account of future demographic and economic challenges, provides an adequate base of economic security for workers and their dependents, and protects vulnerable populations.
- Promote policy changes, based on research, evaluation and analysis, that shape the SSI program in a manner that protects vulnerable populations, anticipates the evolving needs of SSI populations, and integrates SSI benefits with other benefit programs to provide a safety net for aged, blind, and disabled individuals.
- Promote policy changes, based on research, evaluation and analysis, that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs, based on medical, technological, demographic, job market, and societal trends.
- Provide information for decisionmakers and others on the Social Security and Supplemental Security Income programs through objective and responsive research, evaluation, and policy development.

***Strategic Objective:*** *Promote policy changes, based on research, evaluation and analysis, that shape the OASI and DI programs in a manner that takes account of future demographic and economic challenges, provides an adequate base of economic security for workers and their dependents, and protects vulnerable populations.*

### **1. Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of OASDI programs.**

**FY 2000 Goal: Identify and define barometer measures to be used**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA has identified “barometer measures” in five areas: poverty status, reliance on OASDI benefits, eligibility for OASDI benefits, DI beneficiaries returning to work, and adequacy and equity of benefits. A set of measures was produced based on the latest data available. The measures are included as Appendix A in the Social Security Administration’s latest strategic plan and are discussed beginning at page 108.

### **2. Preparation of analyses and reports on the effect of OASDI programs on different populations in order to identify areas for policy change and develop options as appropriate.**

**FY 2000 Goals: Prepare analyses and reports on the following topics:**

- **The effect of OASDI programs on women.**
- **The effect of OASDI programs on minorities.**
- **The effect of OASDI programs on low-wage workers.**
- **Study on characteristics of people receiving DI benefits.**
- **Analysis on the effect of changes in Social Security retirement benefits on the DI program.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** In February 2000, SSA released an analysis on “The Impact of Repealing the Retirement Earnings Test on Rates of Poverty,” which highlights the impact of this change on elderly women. In September 2000, SSA prepared a draft paper entitled “Analysis of Social Security Proposals Intended to Help Women: Preliminary Results,” for publication in the *Social Security Bulletin*. We are also analyzing a number of options designed to reduce poverty among older women and have drafted a paper for publication in Issue No. 3 of the *Social Security Bulletin*.

SSA published an article in the *Social Security Bulletin* (Volume 62, Number 2, 1999) on “Minorities and Social Security: An Analysis of Racial and Ethnic Differences in the Current Program.” We are currently conducting research and analysis using microsimulation models to examine future trends among minority populations as they relate to the Social Security programs.

SSA has drafted a paper examining earnings patterns for low-wage workers for publication in the *Social Security Bulletin*. We also completed a draft paper analyzing the Special Minimum Benefit and examining options for enhancing this benefit for low-wage earners.

An analysis of income of disabled-worker beneficiaries has been completed. This will be published as a chartbook.

SSA cosponsored a conference with the National Academy of Social Insurance on September 22, 2000, entitled Disability, Health and Retirement Age: Challenges for Social Security Policy. Papers were presented on the health and well being of early retirees and disabled workers, employer perspectives and practices, and evaluating policy options. These papers will be published in the *Social Security Bulletin*.

**3. Preparation of analyses and reports on demographic, economic and international trends and their effects on OASDI programs in order to anticipate the need for policy change and develop options as appropriate.**

**FY 2000 Goal: Prepare analyses on the following topics:**

- **Trends in marriage, divorce and re-marriage and effects on the Social Security programs.**
- **Immigration and Social Security.**
- **Lifetime redistributive effects of Social Security cohorts.**
- **International retirement policy reform.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA presented a paper entitled “Divorced Women at Retirement: Projections of Economic Well-Being in the Near Future” to the Gerontological Society of America in November 1999; it will be published in Issue No. 3 of the *Social Security Bulletin* in December 2000. We presented a second paper entitled “Never-Married Women Reaching Retirement: A Case of Economic Vulnerability” at the American Sociological Association in August 2000.

SSA presented a paper entitled “Earnings Profiles of Immigrant Men: A Longitudinal Perspective” at a conference by the European Society of Population Economics in June 2000. We presented a paper entitled “Earnings Profiles of Immigrant Women: A Longitudinal Perspective” at a conference by the Population Association of America in March 2000.

A draft of a paper entitled, “Historical Redistribution Under the Social Security Old-Age and Survivors Insurance Program,” has been completed.

We published a paper entitled “Social Security Privatization in Latin America” in October 2000 in Issue No. 2 of the *Social Security Bulletin*.

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

**FY 2000 Goal: Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress and other policymakers.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** In February 2000, at the request of Representatives Shaw and Matsui, SSA released a study on “The Impact of Repealing the Retirement Earnings Test on Rates of Poverty.” We are currently examining the distributional effects of several solvency proposals using our microsimulation models. In June 2000, SSA presented results of our analysis of the impact of H.R. 1217 on the Government Pension Offset to the House Ways and Means Committee.

**Strategic Objective:** *Promote policy changes, based on research, evaluation and analysis that: shape the SSI program in a manner that protects vulnerable populations, anticipates the evolving needs of SSI populations, and integrates SSI benefits with other benefit programs to provide a safety net for aged, blind and disabled individuals.*

**5. Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of the SSI program.**

**FY 2000 Goal: Identify and define barometer measures to be used.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA has identified “barometer measures” in four areas – poverty status, reliance on SSI benefits, SSI beneficiaries returning to work, and adequacy of benefits. A set of measures was produced based on the latest data available. The measures are included as Appendix A in SSA’s latest Strategic Plan and are described beginning at page 108.

**6. Expansion and acquisition of data on the characteristics of SSI populations in order to improve capacity to provide analyses, identify areas for policy change, and develop options as appropriate.**

**FY 2000 Goal: Link survey data with programmatic data.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** A contract was completed to link various files from the Census Bureau's Survey of Income and Program Participation for 1990, 1991, 1992, and 1993. SSA subsequently linked these files with SSA administrative records. The outcome of this goal has been achieved and the indicator is being discontinued effective FY 2001.

**7. Preparation of a report and completion of data collection on the SSI Childhood Disability Survey in order to assess the impact of welfare reform, identify areas of potential policy change and develop options as appropriate.**

**FY 2000 Goal 1: Prepare final report on the effects of 1996 welfare reform legislation on SSI children with disabilities.**

**Target met or exceeded: No**

**FY 2000 Goal 1 Actual:** SSA has received two sets of case study reports and an interim data analysis on the impact of welfare reform in the aggregate from a contractor. The case studies are available on the Office of Policy's web site at [www.ssa.gov/policy/policyareas/evaluation](http://www.ssa.gov/policy/policyareas/evaluation). Copies of the interim data analysis are available upon request.

The final report will include an estimate of the net impact of welfare reform on SSA caseloads and costs and information on individual economic status and on Medicaid utilization.

The final report is not complete because it relies on linkages of SSA data with data from the Census Bureau and from HCFA that have been delayed. SSA will complete the final report in March 2001.

**FY 2000 Goal 2: Begin implementation of a national survey of children with disabilities.**

**Target met or exceeded: Yes**

**FY 2000 Goal 2 Actual:** A contract was awarded to Mathematica in September 2000 to implement a national survey of children with disabilities.

**8. Preparation of analyses on sources of support for the SSI population in order to identify areas for better coordination with other social benefits and develop options as appropriate.**

**FY 2000 Goal: Prepare the analysis.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA has prepared a draft paper, which will be released as a working paper. Results of the analysis have been included in a paper that provides an overall assessment of the SSI program.

***Strategic Objective:** Promote policy changes, based on research, evaluation and analysis, that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs, based on medical, technological, demographic, job market and societal trends.*

**9. Increase the number of DI adult worker beneficiaries who begin a trial work period.**

**FY 2000 Goal: 10-percent increase in the number of DI beneficiaries beginning trial work periods.**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
16,000	NA	NA	<b>17,600</b>	<b>NA</b>

**Target met or exceeded: Data not yet available**

**Discussion:** Performance data for FY 2000 are not currently available for this indicator.

This new indicator was created for the FY 2000 APP to measure increases in the number of DI beneficiaries beginning trial work periods during the FY. However, our data is actually captured on a calendar year (CY) basis. We intend to continue to capture this data on a CY basis since this is the most efficient manner of collection for SSA and since this is an interim indicator of our progress in support of SSA efforts to increase self-sufficiency of our beneficiaries receiving disability benefits. The data is an output of a routine annual Master Beneficiary Record (MBR) run of CY data conducted in January of each year. The data on which

this measure is based for 2000 will be available in January 2001 and will be for CY 2000. The historical data below reflect actual counts of trial work period (TWP) starts on a CY basis which were produced from prior year annual MBR runs:

CY 1997: 16,376  
 CY 1998: 15,176  
 CY 1999: 14,525

While these numbers show a steady decline in TWP starts in recent years, it is not clear whether the 2000 numbers will follow the same trend or be less than the stated goal of 17,600. The number of TWP starts in a year is affected by the timeliness of beneficiary reports of work activity and of SSA field office systems inputs of earnings information. Significant retroactive reporting of earnings and TWP starts for a given year continue for at least 2 years afterward. Counts of TWP starts allowing for 2 years of retroactive reporting of earnings show a steady increase in work activity through 1997. Comparable data for 1998 will be available in January 2001.

After a few years experience with the Ticket to Work program, which is expected to produce much better information on beneficiary work activity, we plan to move to direct measurement of benefit suspensions/terminations due to work. SSA's new Strategic Plan presents that new indicator as "percent increase over 1999 in the number of DI beneficiaries whose benefits are suspended/terminated due to substantial gainful activity."

**10. Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a) status.**

**FY 2000 Goal: 10-percent increase (21,744) in the number of SSI disabled beneficiaries aged 18-64 participating in 1619(a) status.**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
30,000/ 19,767	NA	NA	21,744 (10%)	25,772

**Target met or exceeded: Yes**

**Discussion:** The original FY 2000 APP goal was recomputed and revised in SSA's FY 2000 Revised Final Performance Plan to 21,744 cases. The rationale was that in May 1999, the Substantial Gainful Activity level increased from \$500 to \$700. With that change, the 1997 baseline of 30,000 was recomputed to 19,767. The goal of 21,744 equated to a 10 percent increase over the newly computed baseline.

The target for FY 2000 was substantially exceeded. While we had projected a 10 percent increase over the level of 1619(a) participants in FY 1997, the actual count was 30 percent over the FY 1997 baseline. This somewhat surprising outcome results from a combination of significantly enhanced efforts by SSA to strengthen its return-to-work programs and the robust economy of recent years.

Factors related to significant improvements in performance include:

- Better understanding of work incentives by beneficiaries and their advocates;
- Better understanding of work incentives by field office employees;
- More and better job opportunities for beneficiaries; and
- More interest in promoting beneficiary work activity from State rehabilitation and employment agencies.

SSA's new Strategic Plan affirms that this indicator is an interim measure of our progress. A new indicator to assess the achievement of long-term self-sufficiency for SSI disabled beneficiaries will track the number of beneficiaries who no longer receive cash benefits due to work (1619(b) status).

**11. Preparation of a research design to develop techniques for validating medical listings.**

**FY 2000 Goal: Award a contract to design a methodology to validate a single listing.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** A contract was awarded in May 2000 to create the Disability Research Institute (DRI). One of the DRI's first-year projects is to design a methodology to validate medical listings. It will conduct a literature search and develop and/or identify appropriate criteria to be used in validating listings.

**12. Preparation of reports on results of the Disability Evaluation Study in order to identify potentially eligible disabled populations, interventions that enable continued work effort among the disabled and guide changes to the disability decision process.**

**FY 2000 Goal: Complete pilot study.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA completed the fieldwork for the pilot—collecting data and conducting medical examinations in August 2000.

**13. Creation of a Disability Research Institute.**

**FY 2000 Goal: Award contract to establish the Disability Research Institute.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** The contract to establish the Disability Research Institute was awarded to the University of Illinois in May 2000. The outcome of this goal has been completed and the indicator is being discontinued effective FY 2001.

***Strategic Objective:** Provide information for decisionmakers and others on the Social Security and Supplemental Security Income programs through objective and responsive research, evaluation and policy development.*

**14. Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness and responsiveness.**

**FY 2000 Goal: Develop customer survey and data collection mechanism.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA has developed a preliminary questionnaire to gather information from customers about the quality of research, analysis and evaluation products. SSA also identified customers from whom feedback will be elicited. SSA awarded a contract in September 2000 to conduct the survey.

**15. Issuance of periodically updated research and policy agenda.**

**FY 2000 Goal: Issue the initial research and policy agenda.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA's Office of Policy issued its research and policy agenda, which is available on our web site and which will be updated periodically. This has been dropped as an indicator in subsequent performance plans, but the activity will continue as we continue to provide timely, useful information for decisionmakers.

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

The measures and initiatives under this goal focus on maintaining or improving service to SSA's core business customers and employers, even while demands grow and resources are impacted by reductions to our budget request. While some of our service delivery targets were not met, lessons learned inform us that we must continue to improve data collection methods and internal processes, implement efficiencies, and otherwise modify strategies so as to be more responsive to our customers' needs and expectations.

For FY 2000, SSA adjusted its target levels for several of this goal's workload and performance measures based on reductions to our FY 2000 budget request and the resulting impact on available resources. Included were:

Workload measures:

- The number of 800 number calls handled
- Retirement and Survivors Insurance (RSI) claims processed
- Initial disability claims processed
- Initial disability claims pending
- Hearings processed
- Hearings pending
- SSNs issued

Performance measures:

- Percent of callers who successfully access the 800 number within 5 minutes of their first call
- Percent of callers who get through to the 800 number on their first attempt
- Initial disability claims processing time

Targets for FY 2000 *workload* measures were initially established in the FY 2000 APP. Many of these targets were adjusted due to changes in actual budgeted levels, and this is reflected in the FY 2000 Operating Plan, which was submitted to Congress on January 21, 2000. However, in this FY 2000 Annual Performance Report (APR), we must report against the targets as they were established in the FY 2000 APP. *Performance* (GPRA) measures are tracked against the GPRA measures as reflected in our Revised Final Performance Plan for FY 2000.

Despite budget shortfalls, the Agency continues to meet 800 number access and waiting time targets. The positive response from core business customers and employers to our online and Internet services demonstrates improvement in this area despite not meeting all targets. We implemented immediate claims-taking over the 800 number and added new online services when customer feedback and the growth of customer demand for electronic service informed us that significant modifications to our means and strategies were needed to meet growing demands for online and Internet access.

SSA met all of its timeliness targets for claims and SSN replacement cards. And SSA continues to implement process improvements for its disability and hearings processes, with short-term impacts on processing time. Finally, effective FY 2000, SSA instituted its new Interaction Tracking methodology which provides comprehensive data about all our customer groups and can better inform our strategies to satisfy our customers.

The following Objectives support this Strategic Goal:

- By 2002, to have 9 out of 10 customers rate SSA's service as "good," "very good" or "excellent," with most rating it "excellent"
- By 2002, increase the range of program and information services available to customers over the phone or electronically
- To raise the number of customers who receive service and payments on time, specifically by 2002:
  - ▶ Issue disability claims award/denial notices within 6 months after onset of disability or 60 days after effective filing date, whichever is later, to 70 percent of applicants
  - ▶ Issue initial SSI disability claims award/denial notices within 120 days of filing to 60 percent of applicants

- ▶ Issue hearing decisions to 30 percent of requestors within 120 days from the date of request for a hearing
- ▶ Maintain current levels of timeliness in processing OASI and SSI aged claims

### *Output Measures for Major Budgeted Workloads*

#### **16. RSI claims processed**

**FY 2000 Plan:** 3,134,800

**Actual:** 3,404,938

**Discussion:** Due to a reduction in budgeted resources, the target for this workload measure was lowered to 3,044,000 in SSA's FY 2000 Operating Plan. However, we exceeded the FY 2000 APP target. This is because of a substantial increase in RSI claims receipts and clearances since the President signed legislation that amended the annual earnings test and that legislation became effective. The revision to the law gave many people who had previously elected, or would otherwise elect, to receive only Medicare benefits at age 65 because of their annual earnings, the opportunity to apply for monthly retirement benefits. Supplemental funding was provided by the Congress to cover added resources required by SSA to implement this change in the law. The spike in claims is not likely to be repeated next year since most beneficiaries who were eligible have already filed claims and are now receiving benefits.

#### **17. SSI Aged claims processed**

**FY 2000 Plan:** 144,200

**Actual:** 153,474

**Discussion:** The number of SSI Aged claims processed in FY 2000 exceeded the target. In fact, more SSI Aged claims were processed this year than in the last 4 years. The increase is evidence that the Agency has recovered from the effects of Welfare Reform legislation that was effective in 1998. That legislation changed some longstanding eligibility factors for entitlement to SSI Aged benefits, resulting in fewer applications. Subsequent amendments to that legislation made additional changes. The eligibility factors are set for now, have not changed over the past two years, and are known to the public and to advocacy groups who encourage participation in the program. People who thought they might not meet the eligibility factors now know the facts and are not hesitating to file.



## 18. Initial disability claims processed

**FY 2000 Plan:** 2,144,000

**Actual:** 2,035,627

**Discussion:** Because of reductions to our FY 2000 budget request, SSA's FY 2000 Operating Plan reduced this workload measure to 1,975,000. Total initial disability claims processed were slightly higher than this revised measure. All case processing targets are based on past performance and future actuarial projections.

## 19. Disability claims pending (initials)

**FY 2000 Plan:** 408,000

**Actual:** 535,407

**Discussion:** Because of reductions to our FY 2000 budget request, SSA's FY 2000 Operating Plan changed this workload measure to 535,000 to reflect the change in initial disability claims processed. All disability claims pending targets are based on past performance and future actuarial projections.

## 20. Hearings processed

**FY 2000 Plan:** 622,400

**Actual:** 539,426

**Discussion:** The FY 2000 workload measure was revised downward to 585,000 cases in SSA's FY 2000 Operating Plan. The plan target was not met because of lower than projected Administrative Law Judge (ALJ) availability and greater than expected resource impact in part from Hearings Process Improvement (HPI) rollout.

We continue to be unable to have the budgeted number of ALJs to hear cases, due to our inability to hire new ALJs as a result of litigation involving the Office of Personnel Management (OPM) (*Azdell v. OPM*). As a result of that litigation, OPM has been enjoined since April of 1999 from providing Federal agencies with an ALJ Register from which to hire new ALJs. When set

against our hiring needs, we estimate the impact of this injunction to have resulted in our not being able to process some 20,000 hearing requests through FY 2000 and if the injunction continues, we will be unable to process approximately 40,000 hearing requests in FY 2001.

## 21. Hearings pending

**FY 2000 Plan:** 209,000

**Actual:** 346,756

**Discussion:** The FY 2000 workload measure was revised upward to 240,000 cases in SSA's FY 2000 Operating Plan to reflect the change in hearings processed. The plan target was not met primarily because more hearings were filed than estimated. Fewer processed cases than planned were also a factor, although not to the degree of higher levels of incoming work.

In addition, we continue to be unable to have the budgeted number of ALJs to hear cases, due to our inability to hire new ALJs as a result of litigation involving OPM as described in the discussion for indicator 20.

## 22. Social Security number requests processed

**FY 2000 Plan:** 16,300,000

**Actual:** 17,128,073

**Discussion:** SSA exceeded the SSN target.

## 23. 800 Number calls handled

**FY 2000 Plan:** 60,000,000

**Actual:** 59,500,000

**Discussion:** The FY 2000 target for this workload measure was revised downward to 57,000,000 in SSA's FY 2000 Operating Plan to reflect adjustments based on reductions in budgeted resources that resulted in lowering the access rate from 95 to 92 percent. We exceeded the revised measure because callers to the 800-number took advantage of increased automation.

**Strategic Objective:** By 2002, to have 9 out of 10 customers rate SSA's service as "good," "very good" or "excellent," with most rating it "excellent"

**24. Percent of SSA's core business customers rating SSA's overall service as "excellent," "very good" or "good"**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
85% <sup>1</sup>	82%	88%	88%	82%

1. Represents respondents ratings of "very good" or "good."

**Target met or exceeded: No**

**Discussion:** Prior to FY 2000, overall customer satisfaction rates were derived from SSA's Annual Customer Satisfaction Survey (ACSS). Respondents were identified from a sample of transactions posted to the master records during a certain period each year. For FY 2000 and beyond, the ACSS has been replaced with SSA's new Interaction Tracking methodology for determining customer satisfaction, where customers are surveyed immediately after a face-to-face or phone contact with SSA. Overall satisfaction is now derived from rolled-up data from the Office Visit Survey, 800 Number Customer Survey and Field Office (FO) Telephone Survey, and weighted to the overall universe of each service mode. Because 800 number and FO caller interactions represent such a large percentage of overall interactions, and because both 800 number and FO callers are less satisfied than office visitors (largely due to problems with access), the result is that the overall satisfaction rate is significantly lower for FY 2000. FY 2001 performance targets for this measure are being reconsidered.

**25. Percent of SSA's core business customers rating SSA's overall service as "excellent"**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	30%	44%	37%	29%

**Target met or exceeded: No**

**Discussion:** See explanation in 24 above.

**26. Percent of SSA's core business customers rating the clarity of SSA's notices as "excellent," "very good" or "good"**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
82%	81%	86%	82%	NA

**Target met or exceeded: Data not available**

**Discussion:** The clarity of notices was not measured in FY 2000 and was eliminated as a measure from the FY 2001 APP since the new Interaction Tracking methodology does not, by design, capture overall notice satisfaction. A new performance indicator pertaining to notices will be developed once baseline information is available from a special survey study being undertaken in FY 2001 that will target SSA's most problematic notices.

**27. Percent of employers rating SSA's overall service as "excellent," "very good" or "good"**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	NA	93%	82%

**Target met or exceeded: No**

**Discussion:** Survey results indicate that employers do not regularly interact with SSA to any great extent--the percentage of respondents using SSA services is low. Many employers use payroll providers and accountants to handle wage-reporting requirements. In addition, a significant finding from focus groups held in 1999 with employers and accountants/tax preparers is that SSA is an "invisible" agency. SSA and IRS are seen as one taxing authority. Some of the issues and problems attributed to SSA were actually IRS issues. As a result, these two factors contribute to satisfaction ratings that did not meet the goal. Beginning with FY 2001, the employer survey will target those employers who had a recent contact with SSA. This change will bring the employer survey more in line with other Interaction Tracking surveys.

**28. Percent of employers rating SSA’s overall service as “excellent”**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
NA	NA	NA	<b>13%</b>	<b>6%</b>

**Target met or exceeded: No**

**Discussion:** See explanation in 27 above.

**29. Percent of callers who successfully access the 800-number within 5 minutes of their first call**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
96.2%	95.3%	95.8%	<b>92%</b>	<b>92.9%</b>

**Target met or exceeded: Yes**

**Discussion:** The Agency adjusted the 5 minute access goal from 95 percent to 92 percent in its Revised Final FY 2000 Performance Plan due to reductions to our FY 2000 budget request. The Agency is benchmarking call centers to determine whether the current access measure is still appropriate. A report is due in April 2001 and we will use the lessons learned from the benchmarking study to reconsider our future telephone access measures.

**30. Percent of callers who get through to the 800-number on their first attempt**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
92.7%	91.1%	92.9%	<b>86%</b>	<b>88.4%</b>

**Target met or exceeded: Yes**

**Discussion:** The Agency adjusted the first-time access goal from 90 percent to 86 percent in its Revised Final FY 2000 Performance Plan due to reductions to our FY 2000 budget request. This access measure is also being reconsidered as part of the benchmarking effort discussed in 29 above. A report is due by April 2001.

**31. Percent of 800-number calls handled accurately - payment accuracy**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
95.2%	94.7%	95.4%	<b>95%</b>	NA

**Target met or exceeded: Data not yet available**

**Discussion:** Payment accuracy is a measure of whether 800 number representatives respond correctly to inquiries related to eligibility and payment of benefits.

We expect FY 2000 performance to remain level with FY 1999 performance, although for the 6 months ending March 2000, payment accuracy was at 96.2 percent. The FY 2000 data should be available in April 2001 and will be reported in the FY 2001 Performance Report.

**32. Percent of 800-number calls handled accurately - service accuracy**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
94.3%	81.7%	81.8%	<b>90%</b>	NA

**Target met or exceeded: Data not yet available**

**Discussion:** Service accuracy is a measure of whether 800 number representatives respond correctly to inquiries related to issues other than eligibility and payment of benefits.

We expect FY 2000 performance to remain level with or slightly above FY 1999 performance. For the 6 months ending March 2000, service accuracy was 84.7 percent. We expect that the interviewing screens for 800 number representatives will improve service accuracy. Actual FY 2000 data should be available in April 2001 and will be reported in the FY 2001 Performance Report.

**33. Percent of public with an appointment waiting 10 minutes or less**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
84.9%	87.4%	84.6%	<b>85%</b>	<b>84.2%</b>

**Target met or exceeded: No**

**Discussion:** We missed the target for the percent of the public with an appointment waiting 10 minutes or less in FY 2000, after missing the goal by a small margin in FY 1999 (84.6 percent). The goal was not achieved because of the sharp increase in appointments for claims that occurred after the partial elimination of the annual earnings test earlier this year. Field offices experienced a significant increase in the number of appointments for claims that stemmed from this legislation. As a result, offices have had some difficulty making strides in managing their appointment calendars and having staff available to assist those applicants who made appointments.

**34. Percent of public without an appointment waiting 30 minutes or less**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
72.7%	71.9%	71.6%	<b>70%</b>	<b>73.2%</b>

**Target met or exceeded: Yes**

**Discussion:** We exceeded the target for the percent of the public without an appointment that are helped within 30 minutes, and actually increased performance in this area compared to FY 1999. This was accomplished in spite of the demands on staff to meet the heavy volume of appointments.

***Strategic Objective:** By 2002, to increase the range of program and information services available to customers over the phone or electronically*

**35. New or expanded services available over the phone**

**FY 2000 Goal: Take retirement or survivors claims immediately over the telephone, or in person, as long as the applicant has all the information needed.**

**Target met or exceeded: Yes**

**FY 2000 Actual:** In November 1998, SSA began to pilot an “immediate claims” service option. This option enables customers who call the 800 number to file a claim for retirement or survivors benefits at the time of their call without having to schedule an appointment or visit their local FOs. SSA had always offered immediate claims taking (ICT) service for customers who visit or call a FO. With 800 number ICT, customers who preferred to do business with SSA through its national 800 number were given the same level of access to its services. The ICT option closed an existing service gap and increased customer choice.

**Discussion:** The project objective was to make the ICT service available to all SSA customers by September 2000. SSA decided to meet this commitment through an incremental approach that included pilots designed to gather data for use in determining the public demand, best process and technology required to meet the project objective. The overwhelming success of the ICT pilot and the strong positive response we received from our customers supported SSA’s decision to extend the service to all its customers nationwide.

SSA’s strategy for national rollout called for the phased expansion of the ICT service area until all states, Puerto Rico and the Virgin Islands were brought into the ICT process. In order to accommodate the anticipated growth in the ICT workload resulting from national expansion, SSA expanded staffing in the 7 pilot sites and established 4 new sites. During FY 2000, the ICT sites took approximately 68,500 claims.

On September 25, 2000, SSA completed the final phase of the expansion and began offering the ICT service nationwide.

**36. New or expanded services available electronically**

**FY 2000 Goal 1: Provide overnight electronic Social Security number verification for employers**

**Target met or exceeded: No**

**Discussion:** Concerns about privacy and security of the information need to be addressed prior to implementation.

**FY 2000 Goal 2: Give employers the option to transmit wage reports to SSA electronically using a personal computer or high-speed data transmission lines**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA achieved its goal with the receipt of over 45 million forms W-2, Wage and Tax Statement, received electronically for tax year 1999. SSA pursued a number of avenues to solicit employers' participation in our electronic filing efforts. We developed promotional materials, attended payroll and other conferences, and we wrote a number of articles for various payroll trade publications and newsletters. SSA made on-site visits to large payroll companies in an effort to have them transmit their wage reports electronically through dedicated lines to SSA. Our regional Employer Services Liaison Officers made visits to employers in their respective regions soliciting participation in electronic filing. SSA enhanced its technical support and systems reliability by establishing redundancy systems to assure no downtime in the system. Finally, SSA improved its online technical instructions and systems functionality.

SSA completed its technical evaluation of the tax year 1998 electronic filing operation. That evaluation led to the implementation of an improved technical support facility and removed existing systems impediments to filing electronically that are associated with antiquated bulletin board software. Specifically, SSA was able to develop direct dial-up access to the system by using Microsoft Routing and Remote Access Services network dial-up functionality.

**FY 2000 Goal 3: Establish capacity to receive secure, online public inquiries about claims and benefits**

**Target met or exceeded: No**

**FY 2000 Actual:** Since this goal was established, the original vehicle for this effort, the Internet Customer Response System, did not prove to be adequate for this development. SSA is pursuing secure online inquiries under another effort via application pilots in FY 2001 and 2002 and anticipates that adequate capacity will be in place to accommodate secure inquiries by the end of FY 2002.

This indicator will be discontinued in FY 2001 in favor of new indicators that better track our progress toward our new Agency Strategic Plan objective to make SSA's customer-initiated services available either

electronically via the Internet or through automated telephone service, and provide the customer interacting with Social Security on the Internet with the option of communicating with an SSA employee while online.

**FY 2000 Goal 4: Establish the capacity for attorneys to check hearings schedules over the Internet**

**Target met or exceeded: No**

**FY 2000 Actual:** Since the establishment of this goal, SSA developed and approved a new Internet strategy. It was decided not to develop the attorney scheduling service in FY 2000. Rather, two new services, the Internet Medicare Replacement Card, and the Internet Retirement Insurance Benefits Claims services were made available in June and September, respectively. This indicator will be discontinued in FY 2001 and replaced with other indicators that better track our progress toward our new Agency strategic objective to make SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone services and provide customers interacting with SSA on the Internet with the option of communicating with an SSA employee while online.

**37. Number of customers accessing Social Security Online (in millions)**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
NA	4.2	8.5	<b>15.8</b>	<b>13.2</b>

**Target met or exceeded: No**

**Discussion:** Since SSA began this measurement, home page visits doubled each year. We hosted 8.5 million home page visits in FY 1999. Based on that history, and with the addition of new services on our website, we thought it reasonable to expect doubling to occur again. For this reason, we revised upward our FY 2000 goal from 7 million to 15.8 million. Actually, it appears that in many cases people are going directly to a specific Uniform Resource Locator (URL) for service or information that they are looking for, rather than the home page.

We will be bringing additional services to our website in the coming year. We believe that, while those services will increase general awareness and use of our site, impact on home page visits will not be heavily impacted. We believe this goal is still a viable measure of the success of our website, but home pages visits

should not be considered as a sole indicator of website usage. Observation of the industry in general has shown that early geometric increases in website visits have slowed as the Internet medium has matured. Because of this, we project FY 2001 visits at about 15 million.

This indicator will be discontinued in FY 2001 and replaced with other indicators that better track our progress toward our new Agency strategic objective to make SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone services and provide customers interacting with SSA on the Internet with the option of communicating with an SSA employee while online.

**38. Percent increase in the number of Social Security Statement inquiries processed on the Internet**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	23%	50%	55%

**Target met or exceeded: Yes**

**Discussion:** The "My Statement" page URL is provided on the Social Security Statement and encourages people desiring clarification of further information to visit the page. Providing the URL directly on the statement makes it easy for a person with Internet access to get to the page. We believe that provision of the precise URL is good public service. In addition, the information that is provided at the site is quite complete. SSA has conducted an extensive awareness campaign with the financial planning community and significant interest is evident there. SSA also interested major media in the service and significant press exposure has been the result.

This indicator will be discontinued in FY 2001 and replaced with other indicators that better track our progress toward our new Agency strategic objective to make SSA's customer-initiated services available to customers either electronically via the Internet or through automated telephone services and provide customers interacting with SSA on the Internet with the option of communicating with an SSA employee while online.

**Strategic Objective:** To raise the number of customers who receive service and payments on time, specifically by 2002:

- Issue initial disability claims award/denial notices within 6 months after onset of disability or 120 days after effective filing date, whichever is later, to 70 percent of applicants
- Issue initial SSI disability claims award/denial notices within 120 days of filing to 60 percent of applicants
- Issue hearing decisions to 30 percent of requestors within 120 days from the date of request for a hearing
- Maintain current levels of timeliness in processing OASI and SSI aged claims

**39. Initial disability claims average processing time (days)**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
99	100	105	115	102

**Target met or exceeded: Yes**

**Discussion:** The goal for this indicator was increased from 100 to 115 days in SSA's FY 2000 Revised Final Performance Plan due to a combination of factors. Those factors included actual FY 1999 performance which reflected an overall trend of increasing disability processing time, anticipated impact in FY 2000 of the new disability process prototypes, and reductions to our FY 2000 budget request. The revised goal of 115 days was met for two reasons. First, we overestimated the timing of the full impact of implementing the prototype process in 10 DDSs in setting the goal. Second, while DDS processing times did increase in FY 2000, field offices cut overall processing time. The increased processing time reflects more attention on case processing and customer interaction at the initial level. This is one aspect of the prototype process which results in an improved disability adjudication process that reduces fragmentation and duplication and increases consistency and coordination at all adjudicative levels.

**40. Hearings average processing time (days)**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
397	341	316	257	297

**Target met or exceeded: No**

**Discussion:** The FY 1997 and 1998 actual data for this indicator are based on the average for the month of September. The FY 1999 actual and the FY 2000 goal and actual are based on an annual average. The goal for this indicator was revised downward from 268 days to 257 days in SSA's FY 2000 Revised Final Performance Plan due to a combination of factors. Those factors included a decrease in hearings pending levels, closer workload monitoring, and implementation of the HPI Plan in 37 hearing offices in January 2000.

This indicator measures average processing time for both SSA cases and Medicare cases. The latter tend to take longer to process. For example, in FY 2000, average processing time for all cases was 297 days; for SSA cases, it was 258 days, an improvement of 44 days compared to FY 1999. In March, we disposed of nearly 13,000 Medicare cases with an average processing time of over 1,000 days each, which increased average processing time for this indicator by approximately 20 days.

The recent increase in the hearing receipt rate, coupled with the declining ALJ corps and lower than anticipated productivity, has resulted in the escalation of the pending per ALJ from 301 cases at the end of October 1999 to 348 cases at the end of FY 2000. This has resulted in relatively static processing times over the past few months rather than continued improvements.

**41. Percent of OASI claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
82.9%	82.6%	84.3%	83%	86.9%

**Target met or exceeded: Yes**

**Discussion:** The Agency's performance in making timely payments to OASI beneficiaries improved again in FY 2000, building on the increases that were

experienced in the prior two FYs. We exceeded the goal again this year, reflecting our commitment to make timely and accurate payments to our customers.

**42. Percent of initial SSI Aged claims processed within 14 days of filing date**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
59.5%	54.2%	63.5%	66%	74.4%

**Target met or exceeded: Yes**

**Discussion:** This goal was not met in FY 1999, although substantial improvement was noted in last few months of that FY. We have continued to build on that progress, and exceeded the FY 2000 goal by a considerable margin. This achievement reflects our commitment to make timely and accurate payments to our SSI recipients.

**43. Percent of original and replacement SSN cards issued within 5 days of receiving all necessary documentation**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
98.2%	99.7%	99.0%	97%	98.9%

**Target met or exceeded: Yes**

**Discussion:** 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. Our ability to issue the SSN card shortly after all necessary documentation is secured is an indication of our commitment to a high level of service. We continue to exceed the goal as we have in the past two fiscal years.

**Strategic Goal: To make SSA program management the best in business, with zero tolerance for fraud and abuse.**

This goal focuses on the Agency's stewardship responsibilities from both a service and a business perspective. The Agency has performed very well in this area, meeting and expecting to meet all GPRA goals for which we have actual FY 2000 data. In fact, almost all of our FY 2000 goals related to deterring,

identifying and resolving fraud and debt collection were revised upward in our FY 2000 Revised Final Performance Plan so as to complete more investigations, collect more dollars based on investigative activities, and collect more debt. Technological advances, efficient use of the Internet, and collaborative efforts with the Employer Reporting Service Center were instrumental in achieving the goals related to posting earnings and wage items.

For FY 2000, SSA adjusted its target levels for two of this goal's workload measures:

- Continuing Disability Reviews (CDRs) processed; and
- SSI non-Disability Redeterminations.

The workload measures were revised in SSA's FY 2000 Operating Plan that was submitted to Congress on January 21, 2000. For those measures, we report in this Performance Report against the measures reflected in our FY 2000 APP.

The following Objectives support this Strategic Goal:

- Make benefit payments in the right amount
- To become current with DI and SSI CDR requirements by 2002
- Through 2002, to maintain and improve current levels of accuracy and timeliness in posting earnings data to individuals earnings records
- To aggressively deter, identify, and resolve fraud
- To increase debt collection by 7 percent annually through 2002

#### **Output Measures for Major Budgeted Workloads**

#### **44. Periodic CDRs processed**

**FY 2000 Plan:** 1,882,700

**Actual:** 1,836,510

**Discussion:** SSA conducts periodic reviews called continuing disability reviews to determine whether individuals receiving disability benefits have medically improved so that they are no longer disabled and no longer eligible for benefits. These numbers are based on SSA's 7-year CDR plan. CDR workloads are funded by special "above the cap" funding as well as regular LAE funds.

#### **45. SSI non-Disability Redeterminations**

**FY 2000 Plan:** 2,238,550

**Actual:** 2,182,027

**Discussion:** The target for this workload measure was adjusted downward to 2,025,000 in SSA's FY 2000 Operating Plan based on reductions to our FY 2000 budget request and the resulting impact on available resources. SSA regional offices all set quarterly interim targets to ensure that 99 percent of the redeterminations were cleared by the end of FY 2000.

#### **46. Annual Earnings Postings**

**FY 2000 Plan:** 258,900,000

**Actual:** 277,145,696

**Discussion:** The Agency exceeded the FY 2000 target by 7 percent. This is attributed to three factors: low unemployment rates, processing of a late tax year 1998 magnetic media submittal from a large third party filer and pursuit of several initiatives –

- improved management information for magnetic media submittals;
- monitored large submitters to ensure timely processing;
- began earlier follow-up actions on magnetic media returns and corrections; and
- improved communications between SSA components as well as between SSA and the employer community.

#### **47. Representative Payee actions**

**FY 2000 Plan:** 6,990,600

**Actual:** 6,151,264

**Discussion:** The number of representative payee actions depends on two factors: the number of new representative payee applications processed and the number of representative payee accountings processed. We have little control over the number of applications processed as we cannot adequately predict the number of beneficiaries that will need payees in any given year. The accountings are released on a flow basis. We will either need to experience a dramatic increase in applications and/or accountings to achieve a higher number of clearances.



**Strategic Objective:** Make benefit payments in the right amount, specifically:

- Maintain through 2002 the accuracy of OASI payment outlays
- Maintain or improve through 2002 the accuracy of DI payment outlays
- By 2002, raise to 96 percent the accuracy of SSI payment outlays

**48. Dollar accuracy of OASI payment outlays, Percent without overpayments**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
99.9%	99.9%	99.8%	99.8%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** FY 2000 data are not available at this time. The actual FY 2000 performance for this indicator will be reported in the FY 2001 APR.

**49. Dollar accuracy of OASI payment outlays, Percent without underpayments**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
99.9%	99.9%	99.9%	99.8%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** FY 2000 data are not available at this time. The actual FY 2000 performance for this indicator will be reported in the FY 2001 APR.

**50. DDS decisional accuracy rate**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
96.5%	96.2%	96.7%	97%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** FY 2000 data are not available at this time. Data will be available in January 2001 and the actual FY 2000 performance for this indicator will be reported in the FY 2001 APR. The performance goal was set at an approximate target level, and the deviation from that goal is expected to be slight. There will be no effect on overall program or activity performance.

**51. Office of Hearings and Appeals (OHA) decisional accuracy rate**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
87%	87%	88%	87%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** FY 2000 data are not available at this time. Data will be available in April 2001 and actual FY 2000 performance for this indicator will be reported in the FY 2001 APR.

Projections are, however, that we will exceed this goal with 88 percent decisional accuracy. We believe the improvement in the decisional accuracy rate is attributable to several factors, one of which is our ALJs' continuing involvement in the Quality Assurance Review process. For each of the past several years about 35 different ALJs have participated. Two other reasons are our continuing provision of programmatic training via interactive video teleconferencing sessions and several regional ALJ training sessions provided by OHA regional teams.

**52. Dollar accuracy of SSI payment outlays, Percent without overpayments**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
94.7%	93.5%	94.3%	95%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** Data will be available in April 2001. They will be reported in the FY 2001 APR.

**53. Dollar accuracy of SSI payment outlays, Percent without underpayments**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
98.8%	98.8%	98.3%	98.8%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** Data will be available in April 2001. They will be reported in the FY 2001 APR.

**54. Percent of SSNs issued accurately**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
99.9%	99.8%	99.8%	99.8%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** Effective FY 2000, the accuracy rate for enumeration will be calculated on a full FY basis; in prior years it was calculated by calendar year. The high accuracy level is an indication of how important it is to obtain accurate information when processing Social Security number requests so that our customers receive SSNs based on accurate data, and so that the Agency maintains accurate data on number holders. Annual reminders on the importance of processing SS-5 applications for Social Security cards are sent to the field emphasizing those areas where particular attention should be given. FY 2000 data will be reported in the FY 2001 APR.

**Strategic Objective:** *To become current with DI and SSI CDR requirements by 2002*

**55. Percent of multi-year CDR plan completed**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
13.5%	29.0%	48.2%	63%	68.8%

**Target met or exceeded: Yes**

**Discussion:** Based on the May 16, 2000, revision of SSA's CDR 7-year plan, the 63 percent completion goal included in the FY 2000 APP was raised to 66 percent. SSA exceeded the APP goal as well as the adjusted goal.

**Strategic Objective:** *Through 2002, to maintain and improve current levels of accuracy and timeliness in posting earnings data to individuals' earnings records*

**56. Percent of wage items posted to individuals' records by September 30**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
97.8%	98.5%	92.9%	98%	97.6%

**Target met or exceeded: No**

**Discussion:** The calculation of SSA's FY 2000 performance is based on the number of tax year 1999 earnings items posted through September 30, 2000, divided by an estimate of total items to be posted for tax year 1999. The Actuary recently indicated that the estimate of earnings items to be posted for tax year 1999 could be overstated. If this is true, SSA may have achieved the 98 percent posting goal for FY 2000. We will not know for certain until the tax year 1999 database closes early in calendar year 2001. We expect that the activities outlined in indicator number 46 (Annual Earnings Postings) will help us achieve the goal next year.

**57. Percent of earnings posted correctly**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
99.0%	99.0%	99.0%	99.0%	99.0%

**Target met or exceeded: Yes**

**Discussion:** SSA met its FY 2000 goal of posting 99 percent of earnings correctly. The website of online reference sources, the activities of our Employer Services Liaison Officers and the 800 number devoted to the Employer Reporting Service Center all helped to ensure the attainment of this goal.

**Strategic Objective:** *To aggressively deter, identify and resolve fraud*

**58. Number of investigations conducted (i.e., closed)**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
5,455	6,291	9,238	7,600	8,051

**Target met or exceeded: Yes**

**Discussion:** Prior to FY 2000, this goal was based on cases opened. The FY 2000 goal was revised upward from 7,200 to 7,600 investigations conducted (i.e., closed) in SSA's FY 2000 Revised Final Performance Plan to reflect the benefits of increased the Office of the Inspector General (OIG) resources devoted to investigative activities. Achievement of this and the next three goals is largely due to the successes of the investigative projects and efforts of the OIG's Office of Investigations. Two projects stand out – Cooperative

Disability Investigations teams and the fugitive felon program. These two programs continue to grow both in terms of the number of investigators involved in the activities and the number of investigations that result from the allegations processed by the OIG's Allegation Management Division. Even with these successes, the Office of Investigations continues to look for better methods of utilizing the relatively few investigators assigned to handle cases throughout the country.

**59. OASDI dollar amounts reported from investigative activities**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	\$45 million	\$40 million	\$46 million

**Target met or exceeded: Yes**

**Discussion:** The FY 2000 goal was revised upward from \$9 million to \$40 million in SSA's FY 2000 Revised Final Performance Plan to reflect an anticipated return on investment from investigative activities. See further explanation in item 58 above.

**60. SSI dollar amounts reported from investigative activities**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	\$140 million	\$80 million	\$128 million

**Target met or exceeded: Yes**

**Discussion:** The FY 2000 goal was revised upward from \$55 to \$80 million in SSA's FY 2000 Revised Final Performance Plan to reflect an anticipated return on investment from investigative activities. The goal was exceeded by 60 percent. See further explanation in item 58 above.

**61. Number of criminal convictions**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
2,507	2,762	3,139	1,800	2,604

**Target met or exceeded: Yes**

**Discussion:** The goal was exceeded by 44.6 percent. See explanation in item 58 above.

*Strategic Objective:* To increase debt collections by 7 percent annually through 2002

**62. OASDI debt collected**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
\$1,186.5 million	\$1,103.4 million	\$1,191.5 million	\$1,274.9 million	\$1,343.5 million

**Target met or exceeded: Yes**

**Discussion:** The FY 2000 goal was revised upward from \$1,263,200 to \$1,274,900 in SSA's FY 2000 Revised Final FY 2000 APP to account for FY 1999 performance. This goal requires SSA to maintain existing performance. Although SSA did not implement any new debt collection provisions in this FY, we were able to meet the FY 2000 goal. This is a result of the Agency focus on aggressively pursuing delinquent debtors by using all available debt collection tools.

We are currently developing a new debt collection measure for future APPs. Our new measure will focus on the level of outstanding debt that is either in a repayment agreement, under appeal or newly detected.

**63. SSI debt collected**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
\$511.0 million	\$539.2 million	\$640.0 million	<b>\$684.8 million</b>	<b>\$701.6 million</b>

**Target met or exceeded: Yes**

**Discussion:** The FY 2000 goal was revised upward from \$617.3 to \$684.8 million in SSA’s FY 2000 Revised Final FY 2000 APP to account for FY 1999 performance. This goal requires SSA to maintain existing performance. Although SSA did not implement any new debt collection provisions in this FY, we were able to meet the FY 2000 goal. This is a result of the Agency focus on aggressively pursuing delinquent debtors using all available debt collection tools.

We are currently developing a new debt collection measure for future APPs. Our new measure will focus on the level of outstanding debt that is either in a repayment agreement, under appeal or newly detected.

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

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 2000 APP goals were met, there was overall improvement in performance when compared to FY 1999. The Agency performed well in the areas of management development programs and staff development programs, and met 4 of the 7 goals relating to the physical environment. The Agency made positive steps in promoting a change culture that incorporates our values and developing a diverse workforce.

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 a critical enabler of SSA’s ability to manage to the challenges of

the next decade. Beginning in FY 2002, the performance indicators under this strategic goal will reflect that evolution and SSA’s commitment to make strategic investments in its human resources infrastructure.

The following Objectives support this Strategic Goal:

- To provide the necessary tools and training to achieve a highly skilled and high-performing workforce
- To provide a physical environment that promotes the health and well being of employees
- Promote an Agency culture that successfully incorporates our values
- Create a workforce to serve SSA’s diverse customers in the twenty-first century

*Strategic Objective: To provide the necessary tools and training to achieve a highly skilled and high-performing workforce*

**64. Percent of offices with access to Interactive Video Training/Interactive Distance Learning (IVT/IDL)**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
26%	65%	93.4%	<b>100%</b>	<b>98.8%</b>

**Target met or exceeded: No**

**Discussion:** The FY 2000 performance plan reflected a change in the definition of the performance indicator to clarify what was actually being measured. The FY 2000 indicator measured the percent of offices, either equipped with IVT/IDL or within 30 minutes commuting distance of another SSA location that has IVT/IDL, as a percent of total offices. However, the FY 2000 goal was inadvertently left unchanged. It should have been changed from 100 percent to 75 percent with the change in definition. We plan to revise the indicator again in FY 2001 to measure the “percent of offices with direct access to IVT.” Assuming that funding materializes, our FY 2001 goal is 82.1 percent of offices installed with direct access to IVT. The FY 2002 goal will be 100 percent.

The FY 2000 goal was not met due to external factors over which neither SSA nor the various vendors involved had any control. Specifically, there are 9 sites remaining to be installed out of the 610 identified as part of the 1997 expansion. Either protracted

negotiations with landlords, complex municipal building codes and permit requirements, or delays in office moves and renovations were the cause of the delay in each of these cases. In numerous situations where there was a potential for extensive delays, alternative sites were substituted. But this was not always possible since the sites were originally selected with the goal of making IVT accessible to as many employees and offices as possible.

The components and vendors involved in the installations began focusing closely on about 30 problem sites midway through FY 2000. All but 9 have been resolved and these last 9 are all expected to be installed by the end of CY 2000. Lessons learned in dealing with these and other problem sites were used to plan for an additional expansion of the current IVT system.

Future performance goals will largely be tied to the availability of funding. To date, approval of full expansion has been given but funding has been provided for only a portion of the sites, with others to be potentially funded in FYs 2001 and 2002. If funding is available, the revised goals should be met. Performance data from past years have been used to determine a reasonable number of sites for installation, as well as to design an installation process which includes proactive elements to identify those sites that may have landlord or location issues that would impact installation.

**65. Formal management development programs implemented**

**FY 2000 Goal 1: Complete Senior Executive Service (SES) Candidate Development Program**

**FY 2000 Goal 2: Continue Advanced Leadership Program (ALP)**

**FY 2000 Goal 3: Continue Leadership Development Program (LDP)**

**Target met or exceeded: Yes**

**Discussion:** The SES Candidate Development Program ended on August 31, 2000. Although the program did not guarantee SES placement, 24 of the 36 selectees received SES appointments. The remaining 12 candidates completed program requirements and received SES certification from OPM.

During FY 2000, the ALP participants continued to implement their development plans through individual rotational assignments and training. The participants also completed two Core training sessions: “Strategic Communications” at the University of South Carolina and “Power and Leadership” at the University of Virginia. The program ends December 2000.

An orientation for the LDP participants was held in March 2000. Selections for the program were increased from the 25 announced vacancies to 61, and provided more representation from SSA field offices (50 selectees). Participants received approval of their Individual Development Plans and are currently in their first developmental assignment.

**66. Percent of managerial staff participating in management/leadership development experiences**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
NA	40%	60%	<b>33 1/3%</b>	<b>33 1/3%</b>

**Target met or exceeded: Yes**

**Discussion:** All 10 regions conducted live one-day seminars for one-third of the managers and supervisors in their regions. The sessions began in April 2000 and were completed in September 2000. Three regions exceeded the goal by including their entire managerial workforce in the training. The goal was also met at headquarters where all managers in the Office of Systems, the Office of Publications and Logistics Management and the Office of Hearings and Appeals were trained.

***Strategic Objective:** To provide a physical environment that promotes the health and well-being of employees*

**67. Percent of employees reporting they are satisfied with the level of security in their facility**

FY 97 Actual	FY 98 Actual	FY 99 Actual	<b>FY 00 Goal</b>	<b>FY 00 Actual</b>
64%	64%	74%	<b>75%</b>	NA

**Target met or exceeded: Data not yet available**

**Discussion:** FY 2000 actual data are not yet available. The security survey was distributed on schedule in FY 2000 and the actual results will be analyzed,

tabulated and reported in FY 2001. Data for this indicator will be reported in the FY 2001 Performance Report.

SSA continues implementing security enhancements. In the field, for example, a significant investment was made for the purchase and installation of additional security services and devices. Primarily, this involved closed circuit television cameras, intercom and peepholes. In addition, we have increased the number of duress alarms connected to central monitoring stations. Representatives of SSA and the General Services Administration (GSA) continue to conduct periodic risk assessments of our offices to determine if additional enhancements are needed.

SSA has continued its partnership with the employee union through a National Health and Safety Partnership Committee on Security (NHSPCS). The NHSPCS meets monthly to identify security concerns and the actions needed to resolve them. The NHSPCS hosted its sixth conference in September 2000. Participants learned about state of the art security devices, which are appropriate for use in the Agency's public contact offices and provide an appropriate response to biological and chemical terrorism.

**68. Percent of environmental air quality surveys completed and percent of the corrective actions taken when called for - Facilities surveyed**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	23.6%	37%	20%	20.6%

**Target met or exceeded: Yes**

**69. Percent of environmental air quality surveys completed and percent of the corrective actions taken when called for - Corrective actions taken**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	72.3%	76%	75%	76.6%

**Target met or exceeded: Yes**

**Discussion (68 and 69):** The percentages of corrective actions taken vary by region, depending on the complexity of each action. SSA is working closely with GSA staff to resolve problems expeditiously. As a result, additional corrective actions taken nationwide during August and September allowed SSA to exceed its goals.

**70. Number of facilities having water quality testing and percent of corrective actions taken when called for - Facilities surveyed**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	496	662	600	291

**Target met or exceeded: No**

**Discussion:** The goal for the number of facilities surveyed was not met because the performance goal of 600 facilities for FY 2000 was set in FY 1999 before the FY 1999 performance had been evaluated. As reported for FY 1999, we exceeded our 1999 goal by a significant extent, leaving only 300 facilities remaining to be surveyed during FY 2000. The regional offices and other large field offices will be completed in FY 2001 as planned and SSA will also test offices that relocate during the year (approximately 150 field offices). So, although the specific numeric target was not met, SSA did meet the intent of the goal by surveying all remaining facilities in FY 2000.

**71. Number of facilities having water quality testing and percent of corrective actions taken when called for - Corrective actions taken**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	100%	100%	100%	100%

**Target met or exceeded: Yes**

**Discussion:** SSA met the goal of completing 100 percent of the recommended corrective actions or providing acceptable alternative sources of drinking water in FY 2000.

**72. Number of relocated offices having security surveys and percent of accepted security recommendations implemented - Offices surveyed**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	NA	150	152

**Target met or exceeded: Yes**

**73. Number of relocated offices having security surveys and percent of accepted security recommendations implemented - Accepted recommendations taken**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	NA	85%	NA

**Target met or exceeded: Data not yet available**

**Discussion (72 and 73):** Funds were allocated to field components to implement the corrective actions. The Regional Offices have not provided final reports on actions completed during the FY. We will report on actual performance for this indicator in the FY 2001 Performance Report.

**Strategic Objective:** *Promote an Agency culture that successfully incorporates our values*

**74. Create Agency change strategy**

**FY 2000 Goal: Develop and implement strategy**

**Target met or exceeded: Yes**

**FY 2000 Actual:** SSA has completed a baseline study, a gap analysis, and a benchmarking study, leading to the creation of a change strategy. In August 2000, SSA formed a multi-component Organizational Culture Workgroup that is helping to develop a change strategy. The group is targeting the end of CY 2000 to complete its report with recommendations and an action plan designed to address issues raised by the survey and analysis.

**Strategic Objective:** *Create a workforce to serve SSA's diverse customers in the twenty-first century*

**75. Complete Agency plan for transitioning to the workforce of the future**

**FY 2000 Goal 1: Implement competency-based models for recruitment and training needs assessment**

**Target met or exceeded: No**

**FY 2000 Goal 1 Actual:** We did not fully implement the goal for competency-based training needs assessment, although a model was developed and implementation began for a pilot group involving 2 percent of our employees. Actions during the year included:

- the design and installation of the core curriculum model and a survey on the Agency's internal website,
- lease of reinforcing training courses to satisfy training needs identified by the assessment, and
- successful negotiations with the union on the parameters of the pilot activity, including agreement on the core competency model, the assessment survey, and use of the Individual Learning Account concept.

We did not implement the competency-based recruitment model, although preparatory work was accomplished this year. Information was gathered to document the need for competency-based recruiting and selection tools and to obtain subject matter expert input on what factors should be considered for selecting new employees.

Work on the competency-based models continues in FY 2001.

**FY 2000 Goal 2: Complete employee survey**

**Target met or exceeded: No**

**FY 2000 Goal 2 Actual:** On September 18, 2000, a contract was awarded to conduct the employee survey. The goal to complete the employee survey in FY 2000 was not achieved because a series of management meetings were required to address and resolve issues critical to the employee component of the market measurement program, i.e., best survey methodology

and scope. The Agency's intent is to conduct an employee survey that combines survey design, data collection, analysis and training into one program in order to determine the link between employee response and productivity, performance and customer service. The Agency plans to complete the employee survey in FY 2001.

**FY 2000 Goal 3: Publish an Agency transition plan**

**Target met or exceeded: Yes**

**FY 2000 Goal 3 Actual:** The Transition Plan includes future expectations, their effects on the Agency's workforce needs, and the actions to be taken to transition from the workforce SSA has today to the workforce it will need in the future. The Transition Plan was developed with input from all the SSA components, as well as the unions and management associations. The plan was published on June 5, 2000.

**Strategic Goal: To strengthen public understanding of the social security programs.**

Public understanding of Social Security's programs is a key factor in how satisfied the public is with our service. While data on the percent of the public knowledgeable about Social Security programs will not be available until December 2000, we anticipate that we will meet this goal because of our success in mailing Social Security Statements to workers age 25 and older who are not receiving Social Security benefits.

***Strategic Objective:** By 2005, nine out of ten Americans will be knowledgeable about the Social Security programs in five important areas:*

- *Basic program facts*
- *Financial value of programs to individuals*
- *Economic and social impact of the programs*
- *How the programs are financed today*
- *Financing issues*

**76. Percent of public who are knowledgeable about Social Security programs**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
NA	NA	55%	65%	NA

**Target met or exceeded: Data not yet available**

**Discussion:** This data will be available upon completion of the annual Public Understanding Measurement System (PUMS) survey in December 2000. They will be reported in the FY 2001 Performance Report.

**77. Percent of individuals issued Social Security Statements as required by law**

FY 97 Actual	FY 98 Actual	FY 99 Actual	FY 00 Goal	FY 00 Actual
100%	100%	100%	100%	100%

**Target met or exceeded: Yes**

**Discussion:** This goal was achieved. We successfully implemented the provisions of Section 1143 of the Social Security Act by mailing annual *Social Security Statements* to workers 25 and older who are not receiving Social Security benefits (approximately 133 million).

The automatic mailing took place at a rate of over 500,000 *Statements* per business day, with about 10 million issued each month. Workers receive their *Statement* about three months before their birthday. This timing will be especially helpful to individuals who are thinking about retirement because it will provide them with a current benefit estimate.

The annual PUMS survey, completed in January 2000, included a series of questions related to customer satisfaction with the *Social Security Statement*. The data shows that the *Statement* is pivotal in increasing the level of public knowledge about Social Security, and that the public finds it easier to understand than the PEBES document.

**Selected Indicator Performance for FY 1999**

This section reports on FY 1999 performance data for selected performance measures. These performance indicators are found in the FY 1999 APP. However, because actual, full-year data was not available when SSA's FY 1999 APR was published, they are being reported and discussed herein. The numbers assigned to each indicator correlate to the number assigned in the FY 1999 APR.



**36. Percent of wage items posted to individuals' records by September 30**

FY 96 Actual	FY 97 Actual	FY 98 Actual	FY 99 Goal	FY 99 Actual
97.3%	97.8%	98.5%	98%	92.9%

**Target met or exceeded: No**

**Discussion:** This goal was not attained in FY 1999 because of a late magnetic media submittal of over 7 million items. The Agency pursued a number of initiatives in FY 2000 to ensure the timely processing of this workload, and we are on track.

**38. Dollar accuracy of OASI payment outlays**

**Percent without overpayments**

FY 96 Actual	FY 97 Actual	FY 98 Actual	FY 99 Goal	FY 99 Actual
99.8%	99.9%	99.9%	99.8%	99.8%

**Target met or exceeded: Yes**

**Percent without underpayments**

FY 96 Actual	FY 97 Actual	FY 98 Actual	FY 99 Goal	FY 99 Actual
99.8%	99.9%	99.9%	99.8%	99.9%

**Target met or exceeded: Yes**

**Discussion:** Program policies, operations and systems continue to provide the level of support necessary to meet this goal. We continue to monitor the OASI processes to identify and correct any problem that might affect the payment accuracy goal.

**39. DDS decisional accuracy**

FY 96 Actual	FY 97 Actual	FY 98 Actual	FY 99 Goal	FY 99 Actual
96.7%	96.5%	96.2%	97%	96.7%

**Target met or exceeded: No**

**Discussion:** The FY 1999 performance goal was set at an approximate target level and the deviation from that goal is slight. There was no effect on overall program or activity performance.

**40. Percent of SSNs issued accurately**

FY 96 Actual	FY 97 Actual	FY 98 Actual	FY 99 Goal	FY 99 Actual
99.6%	99.9%	99.8%	99.8%	99.8%

**Targets met or exceeded: Yes**

**Discussion:** The Agency's accuracy rate for SSNs issued correctly in CY 1999 was 99.8 percent, which met the goal. It should be noted that the accuracy rate for enumeration has been calculated on a calendar year basis rather than by FY. The FY 1999 data represents the period January through September 1999. For FY 2000, the accuracy data will cover the entire FY.

**Verification and Validation**

SSA is committed to ensuring that those who use our reported performance information to make decisions can do so with the assurance that our data are valid and reliable. To accomplish this, we continuously improve the clarity and credibility of our intended and actual performance in mission-critical areas through effective, internal SSA management and by being responsive to insights provided by stakeholders such as the General Accounting Office (GAO) and SSA's Inspector General.

***FY 2000 Annual Performance Plan***

The Annual Performance Plan is the principal GPRA document for describing how an agency verifies and validates performance data that it collects and reports. Section V of SSA's FY 2000 APP, "Performance Goals, Means and Strategies," includes a detailed definition of each of the plan's performance measures as well as the data source used to measure performance. In the case of non-quantifiable goals, we describe how we will consider them to have been achieved. SSA's Revised Final Performance Plan for FY 2000 includes changes to performance measure wording for indicators 56, 57, and 58, to the definition of indicators 42, 54, and 57, and clarifies the definition of the FY 2000 target for indicator 10.

***SSA Data Integrity Systems and Controls***

Performance data for the plan's quantifiable measures, including the budgeted output measures, are generated by automated management information and workload measurement systems as a byproduct of routine operations.

The performance level for several indicators relating to the accuracy of our processes and public satisfaction comes from surveys and workload samples designed to achieve high levels of statistical precision. The Office of Quality Assessment reviews a stratified sample of recently completed actions and of ongoing entitlement rolls to determine the accuracy of SSA payments and service transactions.

To help ensure the integrity of management information (MI) data, SSA implemented a Management Information Integrity Monitoring (MIIM) team in February 1998. The MIIM team serves as the clearinghouse for resolving allegations of inappropriate practices affecting MI. Line managers and staff throughout the Agency also review MI data regularly to identify anomalies and correct reporting problems.

Pages 32 through 34 of this Performance and Accountability Report describe, in detail, SSA's comprehensive program of conducting reviews of management and security controls in both SSA's administrative and programmatic processes and in accounting controls in financial management systems. Also discussed are the results of the audit of the FY 2000 financial statements and internal controls by PricewaterhouseCoopers, the independent accounting firm. Such reviews and assessments assure that our systems are secure and not vulnerable to manipulation by intruders, and confirm SSA's confidence in the reliability of its performance data.

### ***Role of the Inspector General***

The OIG plays a key role in assuring that the data systems used by SSA to measure performance are reliable. Each year since 1998, the OIG's workplan has included reviews of SSA performance measures in which the OIG evaluates the processes and systems being used to measure progress in each of the measured areas, so as to assure that they provide reasonable assessments of performance. In FY 1999, the OIG surveyed the existence of sources of information for the 68 performance measures (i.e., indicators) appearing in SSA's FY 1999 APP, and found that SSA has methods to collect data for all indicators. In FY 2000, the OIG is reviewing performance measures in SSA's FY 1999 APP and FY 2001 APP. In FY 2001, the OIG intends to review performance measures in SSA's FY 2000 APP and FY 2002 APP.

The OIG's report of its review of SSA's FY 2000 APP stated that "SSA's FY 2000 APP demonstrates a commitment and improvement in SSA's efforts to comply with GPRAs and meet congressional

expectations for information about SSA's performance goals." OIG further recommended that SSA continue to "disclose known data limitations and weaknesses and planned corrective actions." SSA agreed in principle with this recommendation and our subsequent actions demonstrate our commitment to continue on our path of continuous improvement.

As the OIG reports its performance measures audit findings to SSA, we are taking appropriate action to correct any reported deficiencies. These actions may include disclosure of data gaps, changes in performance measures, improvements to or additions of data collection systems, or some combination thereof.

For example, the OIG identified two deficiencies with regard to the data used to measure the accuracy of Social Security number card processing and the accuracy and timeliness of earnings posted to individuals' records by September 30. In response, our Revised Final FY 2000 APP and FY 2001 APP correct the definition of the former indicator and clarify that self-employment earnings are not included in the latter measure. In response to an OIG finding of a weakness in the system SSA uses to measure SSI debt management, we implemented a new software release that improves control over SSI debts and collections, and results in SSA having more and better information to accurately measure SSI debt management.

The OIG uses a four-point approach to reviewing SSA's performance measures:

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 vitality of its programs; and
4. Ensure that the performance measures fully capture the program segments that they are intended to capture.

### ***General Accounting Office Reviews***

In its July 1999 report on its review of SSA's FY 2000 APP, GAO found that the plan "provides general confidence that agency performance information will be credible." The GAO noted that SSA's annual Accountability Report provides additional assurances of credibility in its discussion of systems reviews that are routinely performed by independent contractors as well as SSA's actions to respond to their recommendations. In its July 20 report, "Observations

on the Social Security Administration's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Annual Performance Plan," the GAO stated that "the FY 2001 plan provides a clear picture of intended performance, and its goals and measures are succinct and concrete. It stated that the FY 2001 plan "addresses some key weaknesses identified by the GAO in earlier plans and urged SSA to "diligently continue its efforts to ensure the credibility of its performance data ... and to improve its workload measurement and quality assurance systems." In its letter transmitting the report to Congress, the GAO acknowledged SSA's commitment to "duly consider our suggestions, especially those regarding potential improvements to performance measures ...".

### ***Coordinated Agency Evaluation Plan***

Each FY, SSA develops a coordinated Agency evaluation plan. All key components involved in the evaluation function, including the OIG, conduct a joint review of evaluation workplans to assure an appropriate match between planned evaluation activities and Agency priorities, identify and address any gaps in needed information and eliminate any overlap or duplication.

Additional information on the Agency Evaluation Plan is provided in the following section entitled "Program Evaluation."

### **Program Evaluation**

SSA has broadened the scope of its evaluation activities beyond studies of outputs and performance measures. The Agency expanded its capacity to evaluate the outcomes of SSA's programs in terms of their effect on the lives of the American public. Evaluations are used to build models and create baseline information that can be used to address the Agency's long range issues. SSA has moved to multi-dimensional evaluations that coordinate quality, customer satisfaction, timeliness, etc., into a cohesive whole.

Program evaluations are independent systematic studies conducted to assess how well a program is working. SSA uses various types of program evaluations to examine program performance and context. The Agency prepares an annual Agency coordinated evaluation plan to ensure evaluation activities are in place for all the Agency's goals, objectives and business processes. The plan also ensures that there are no overlaps, duplications or gaps among the Agency's evaluating components' activities. The FY 2000 Agency Coordinated Evaluation Plan contained 245 scheduled

evaluation activities, many of which were multi-year or ongoing projects. In addition to the ongoing, recurring periodic evaluations of accuracy, customer service, etc., the evaluation activities described below were completed in FY 2000. They focused on the Agency goals, objectives and business processes. The findings from many of the Agency's evaluation activities are woven throughout various sections of this report, especially in the areas of quality, customer satisfaction and accuracy. Copies of the evaluation results can be obtained by contacting the Office of Strategic Management by mail at:

Office of Strategic Management  
Social Security Administration  
250 Altmeyer Building  
6401 Security Boulevard  
Baltimore, MD 21235

There are four main types of program evaluation that SSA uses, along with other information, to learn the benefits of a program or how to improve it. They are:

- **process evaluation**--assesses whether a program is operating as it was intended (i.e., conformance to statutory and regulatory requirements, program design, and professional standards or customer expectations).
- **outcome evaluation**--assesses the extent to which a program achieves its outcome-oriented objectives. The focus is on outputs and outcomes (including unintended effects), but may also assess program processes.
- **impact evaluation**--assesses the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program. This form of evaluation is used extensively to assess the Responsive Programs goal.
- **cost-benefit /cost-effectiveness analysis**--compares a program's outputs or outcomes with the costs (resources expended) to produce them. They determine the cost of meeting a single goal or objective and identify the least costly alternative to meet that goal.

Many of SSA's evaluations are combinations of the above. Following are brief summaries of those completed in FY 2000:

- **Field Office (FO) Customer Help and Information Program (CHIP)** evaluated the usefulness/applicability of a teleservice center version of CHIP to handle walk-in and telephone contacts for two FOs. It was unclear from this limited study whether expansion of

CHIP use in FOs will provide a significant benefit to offset the additional development and training costs.

- Organizational Culture determined the workplace practices and values of the Agency and analyzed the gaps between the current culture and the desired culture. This information is being used to develop a change strategy that will help SSA managers and employees achieve the desired culture.
- State Online Query evaluated the impact on field office productivity of allowing State employees in three States to verify clients' Social Security benefits or SSNs through online query. The findings were inconclusive and did not clearly indicate workyear savings to the field offices involved.
- Current Beneficiary Survey a one-time survey, focused on beneficiaries and recipients receiving monthly payments and their satisfaction with SSA's routine service, in contrast to other surveys that target specific types of business or SSA contacts. Satisfaction with service was very high, with 94 percent of retirement and survivors insurance, and 91 percent of both disability insurance and supplemental security income responders rating the overall service SSA provides in handling their needs, answering questions and paying benefits as excellent, very good or good.
- Report on SSA's Annual Customer Satisfaction Survey (ACSS) provided the results of SSA's FY 1999 ACSS, the performance measurement mechanism which was replaced by interaction tracking effective with FY 2000. The survey measured customer perceptions of SSA service received via all main service delivery modes over the course of the previous 12 months. The overall satisfaction rate for FY 1999 was very high, with 88 percent of responders rating service as excellent, very good or good.
- 800 Number Service - Evaluation of Spanish-Language Calls evaluated the accuracy of Spanish language 800 number calls, following the standard protocol for ongoing monitoring of SSA's 800 number service. The Spanish-language evaluation, which involved 494 calls monitored, found that the quality of service provided to Spanish-speaking 800 number callers surpasses the Agency's 800 number performance goals of 95 percent payment accuracy and 90 percent service accuracy. Payment accuracy based on all goals was 98.5 percent, for payment-affecting calls only, the rate was 96.5 percent, and service accuracy was 93 percent.
- 800 Number Customer Survey Report for August 1999 the semi-annual survey which is part of interaction tracking under the Agency's Market Measurement

Program, measures customer satisfaction with service received during a particular 800 number contact. The survey of customers who contacted the 800 number in August 1999 found a rating of 80 percent excellent, very good, or good, significantly lower than the 84 percent rating recorded for the previous survey in February 1999. An increased perception that it was difficult to get through appeared to be the major factor contributing to the lower satisfaction rating.

- 800 Number Evaluation Findings for October 1998 through September 1999 provided the findings of the FY 1999 800 number evaluation. This evaluation, which included monitoring of nearly 3,800 calls, measured the accuracy and quality of the service provided over SSA's national 800 number. The FY 1999 review found a payment accuracy rate of 97.4 percent based on all calls and 95.4 percent for payment-affecting calls. Service accuracy was 81.8 percent. Access/disclosure errors continued to adversely affect service accuracy.
- Report on the SSA Enumeration Kiosk Customer Survey obtained customer reaction to a "proof of concept" project to provide an automated Social Security card application on kiosks in three pilot field offices. While the limited scope of the pilot means survey results must be viewed with caution, the findings indicate the concept was well received by customers. Ninety-six percent rated the ability to fill out the application directly on computer screens as excellent, very good or good, and 91 percent gave the same ratings for overall service. Among negative comments, customers pointed out the lack of privacy while using the kiosk, waiting time to see a representative after completing the application and the need for clearer instructions.
- Office Visitor Survey Report provided the results of the first interaction tracking survey of visitors to SSA's field and hearings offices. The survey, which sampled visitors to 65 offices over a 13-week period, obtained customer opinions shortly after the contact when the impression of service was fresh. Over 2,217 customers responded to the survey. Overall satisfaction was very high, with 91 percent of responders rating service on the day of the visit as excellent, very good, or good. Responders most often attributed this high degree of satisfaction to SSA staff.
- Report on the Surveys of 800 Number Automated Service Users summarizes the findings of two surveys conducted as special studies to determine how well SSA's 800 number automated services met customer needs and if these needs were not met, what happened and why. The surveys involved an across-the-board

sample of callers (“All Callers”) who had selected an automated service and a sample of callers known to have redialed the 800 number shortly after selecting an automated option (“Redialers”). “Redialers” gave a much lower rating of 69 percent excellent, very good or good in comparison to the 81 percent rating of “All Callers,” as might be expected. Where the automated services fell short of meeting customer needs, callers mainly cited easier access to live assistance as the remedy.

- Findings from the Customer Service Standards Survey were based on input obtained from SSA’s customers on their opinion of what constitutes “good service.” The findings from the current survey support the Agency’s efforts to update the Agency’s customer service standards established based on the Office of Quality Assurance and Performance Assessment’s initial customer service standards survey conducted in 1994. Twelve customer segments were sampled, with responses from more than 11,000 customers. The questions dealt with the following service areas: waiting time in our offices, completing business with SSA, scheduling and holding a hearing with a judge, enumeration, 800 number service, use of the Internet, and service preferences. When possible the findings were presented in the context of current Agency performance measures, Agency goals and current service levels.
- Report on the Quality of the Enumeration Process, Calendar Year (CY) 1998 provided findings for use as the Agency’s measurement of performance accuracy of the enumeration process. For CY 1998, a random sample of 2,301 records was selected from all applications processed in the year for review. The review identifies errors that result in the miss-assignment of an SSN (a critical error), or incomplete/incorrect information on the Numident record (a major error). The rate of cases free of critical error was 99.8 percent; the rate of cases free of major error was 91.0 percent.
- Evaluation of Concurrent Title II/Title XVI Notice of Disapproved Claims (Form SSA-L442) determined whether the notice language in the Notice of Disapproved Claims is easy to read and understand and if it accurately communicates all necessary information to the notice recipient. The notice informs the claimant of a denial of their concurrent title II/ title XVI claims for disability benefits. Study participants generally found the concurrent title II/ title XVI Notice of Disapproved Claims easy to understand. Only 14 percent of the study participants found the notice difficult to understand. Of those that

found the notice difficult to understand, 40 percent gave as a reason that they had difficulty reading. Only 32 percent (4 percent of all survey participants) indicated the notice was hard to understand because it was not clearly written or the points were not clearly made. The survey also showed that the notice effectively communicated necessary information to the claimant. When asked specific questions about the information on the notice, a large majority of the survey participants were either correct or partially correct with their responses.

- Project NetWork, summarized in the *Social Security Bulletin* article, “The Net Effects of the Project NetWork Return-to-Work Case Management Experiment on Participant Earnings, Benefit Receipt and Other Outcomes,” was a major social experiment testing case management as a tool of promoting employment among persons with moderate to severe disabilities. This comprehensive analysis shows the benefits of using an experimental design to derive realistic net outcome estimates. While the results cannot be generalized to other case management interventions, they are nevertheless instructive for planning new initiatives.

The Office of the Inspector General, Office of Audit (OIG/OA) also contributes to SSA’s efforts to assure audit and evaluation coordination and coverage of SSA goals, objectives, key initiatives and business processes. OIG/OA conducts the following types of audits and evaluations:

- **Financial statement audits** provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position and results of operations in conformity with generally accepted accounting principles and the entity has complied with laws and regulations that may have a material effect on the financial statements.
- **Financial-related audits** Determine whether financial information is presented in accordance with established or stated criteria, the entity has adhered to specific financial compliance requirements, or the entity’s internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.
- **Economy and efficiency audits/evaluations** determine whether the entity is acquiring, protecting, and using its resources economically and efficiently, the causes of inefficiencies, and whether the entity has complied with laws and regulations on matters of economy and efficiency.

- **Program audits/evaluations** determine the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, the effectiveness of organizations, programs, activities, or functions, and whether the entity has complied with significant laws and regulations applicable to the program.

For a detailed explanation of specific reports see the OIG/OA section of this report. A discussion of the Agency's goals and performance indicators follows.

### **Barometer Measures**

In the FY 2000 and FY 2001 APPs' discussion of the Strategic Goal "To promote valued, strong, and responsive social security programs and conduct effective policy development, research and program evaluation," SSA acknowledged its responsibility to help shape the dialogue for addressing critical long-term and short-term Social Security issues. SSA committed to providing information and policy options for the OASDI and SSI programs for use by decisionmakers.

A key deliverable is "barometer" measures, i.e., information on how Social Security benefits, in combination with many related factors, affect the economic well-being of the public. In its FY 2000 APP, SSA committed to preparing preliminary analyses of these barometer measures for the OASDI and SSI programs and to establishing baselines for the measures. This section of the FY 2000 APR fulfills that commitment for FY 2000; we introduce and define the barometer measures, explain their relevance to the programs, and provide baselines. Barometers may change over time as data sources are further developed and new measures are introduced. We will report updates, summaries, and analyses of these barometer measures in APRs for subsequent years.

No single measure can capture the effectiveness of a social program. SSA has developed five barometer measures for the OASDI program and four for SSI. Within each barometer measure, there are from one to three data measures. The barometer measures reflect the different bases and objectives of each program: worker earnings-based for OASDI and needs-based for SSI. The barometer measures should be considered within the context of each other, and in relation to external economic, social and other factors.

### ***Highlights of Barometer Measures***

#### **OASDI Program**

- OASDI benefits greatly reduce the portion of aged beneficiaries in poverty and keep a significant portion of beneficiaries of all ages out of poverty.
- Many people rely heavily on Social Security. A majority of beneficiaries aged 65 or older and 44 percent of beneficiaries aged 18 to 64 receive half or more of their family income from Social Security.
- Most workers are covered for Social Security:
  - ▶ 96 percent of people aged 62 or over are eligible for benefits.
  - ▶ 84 percent of men and 73 percent of women aged 20 to 64 are insured for disability benefits.
- Low-wage workers receive higher benefits relative to their earnings, but workers with higher earnings receive larger benefits in dollar terms.

The five measures for the OASDI program focus on:

- Poverty
- Reliance on program benefits
- The percentage of people eligible
- Return to work of people with disabilities, and
- Benefit adequacy and equity.

#### **SSI Program**

- SSI payments decrease the monthly poverty gap for recipients by 61 percent.
- SSI provides half or more of total income for 38 percent of aged beneficiaries and 66 percent of beneficiaries aged 18 to 64.
- Several States supplement Federal SSI benefits to push income closer to the poverty level.

The four SSI measures focus on:

- Poverty
- Reliance on program benefits
- Return to work, and
- Benefit adequacy

Following are details of the barometer measures.

**OASDI Barometer Measures**

**OASDI BAROMETER MEASURES FOR POVERTY STATUS**

OASDI Beneficiaries in Poverty		
Age	Percent of Group Below Poverty	Number of People in Poverty (Millions)
65+	8.5	2.5
18-64	18.3	1.5
Children	24.9	1.3
NOTE: Beneficiaries aged 65+ and 18-64 are individuals who report receiving Social Security. Beneficiaries under age 18 are children in families who report receiving Social Security. Poverty is based on family money income, not including nonmoney transfers such as food stamps.		
Source: March 1999 Current Population Survey (CPS), for 1998.		

OASDI Beneficiaries Raised Above Poverty By Social Security		
Age	Percent Raised Above Poverty by Social Security	Percent Who Would Be Poor Without Social Security
65+	39	48
18-64	27	46
Children	17	42
NOTE: Beneficiaries aged 65+ and 18-64 are individuals who report receiving Social Security. Beneficiaries under age 18 are children in families who report receiving Social Security. Poverty is based on family money income, not including nonmoney transfers such as food stamps.		
Source: March 1999 CPS, for 1998.		

**BAROMETER MEASURES FOR RELIANCE ON OASDI BENEFITS**

Social Security As A Percent of Total Family Income			
Age	Percent Who Rely on Social Security For:		
	Half or More of Total Income	90% or More of Total Income	100% of Total Income
65+	56	22	14
18-64	44	20	15
NOTE: Counts the family Social Security income of persons aged 18 and older as a percent of the family's total income. A regular SSA data series presents somewhat different figures for those 65 or older counting individuals and married couples based on their own Social Security benefits as a percent of their own income. The numbers under that calculation are 63, 30 and 18 percent. We use a different method here so that age groups are measured similarly and because the method used for the aged is not appropriate for younger groups.			
Source: March 1999 CPS, for 1998.			

Income Quintiles	Percent of Income From Social Security and Percent of All Social Security Dollars Paid			
	Percent of Income from Social Security		Percent of All Social Security Dollars Paid	
	65+	18-64	65+	18-64
Lowest	89	83	12	12
Second	74	67	18	19
Third	59	46	22	22
Fourth	39	30	23	23
Highest	18	15	26	24
NOTE: Counts persons based on family money income quintiles and family reliance on Social Security. A regular SSA data series presents somewhat different figures for those 65 or older counting individuals and married couples based on their own income quintiles and their own reliance on Social Security. The numbers under that calculation are 82, 81, 64, 45 and 18 percent. We use a different method here so that age groups are measured similarly and because the 65 or older are \$12,535/\$20,179/\$30,031/\$50,000; the family income quintile limits for those aged 18-64 are \$11,058/\$19,948/\$32,006/\$50,206.				
Source: March 1999 CPS, for 1998.				

**BAROMETER MEASURES FOR OASDI  
ELIGIBILITY**

<b>Population Aged 62 Or Older Eligible For OASDI Benefits</b>		
	<b>Percent Eligible</b>	<b>Number Eligible (in millions)</b>
Total	96	39.8
Male	93	16.6
Female	97	23.2

Source: Estimate of SSA Office of the Chief Actuary, 1999.

<b>Percent of Women Aged 65 Or Older Receiving OASDI Benefits</b>	
Retired Worker Only	36.2
Dually Entitled	28.6
- Wife	11.4
- Widow	17.1
Wife or Widow Only	35.3
- Wife	12.9
- Widow	22.4

NOTE: Total number of women aged 65 or older receiving OASDI benefits is 18.96 million.

Source: Master Beneficiary Record (MBR), December 1999.

<b>Percent Who Meet Work Requirements To Be Insured For Disability Benefits</b>		
<b>Age</b>	<b>Percent Eligible</b>	
	<b>Male</b>	<b>Female</b>
20-NRA	84	73
20-49	84	75
50-61	85	71
62-NRA	78	59

NOTE: NRA = Normal Retirement Age

Source: Estimate of SSA Office of the Chief Actuary, 1999.

**BAROMETER MEASURES ON DI  
BENEFICIARIES RETURNING TO WORK**

<b>DI Beneficiaries Who Are Working</b>		
	<b>Number</b>	<b>Percent of All DI Beneficiaries</b>
Working and Receiving Benefits	Number being developed	Number being developed
Benefits Ceased Due to Work Above the SGA Level	10,000	0.2

NOTE: SGA = Substantial Gainful Activity--\$500 per month for the first six months of 1999 and \$700 per month thereafter

Source: MBR, 1999.

**OASDI BAROMETERS ON ADEQUACY AND  
EQUITY OF BENEFITS**

<b>Hypothetical Retiree Replacement Rates at NRA</b>		
<b>Benefits at Normal Retirement Age as a Percent of Last Year's Earnings Assuming Wages for All Years Were:</b>		
<b>Minimum Wage*</b>	<b>Average Wage</b>	<b>Maximum Taxable Earnings</b>
68%	39%	24%

\* Many retirees, particularly women, have years with no earnings or work part-time and earn less than the minimum wage. Assuming wages for all years were three-fourths of the minimum wage, the replacement rate would be 77 percent.

Source: Calculation by SSA Office of Research, Evaluation and Statistics, 1999.



Average Actual Primary Insurance Amounts (PIA) And Monthly Benefits Paid For New Retired Workers, by PIA Quintile				
PIA Quintiles	Monthly Average		Yearly Average	
	PIA	Benefit	PIA	Benefit
Lowest	\$343	\$349	\$4,116	\$4,188
Second	\$629	\$558	\$7,548	\$6,696
Third	\$892	\$794	\$10,704	\$9,528
Fourth	\$1,181	\$1,058	\$14,172	\$12,696
Highest	\$1,386	\$1,212	\$16,632	\$14,544
NOTE: About one-third of the lowest quintile is dually entitled to worker and spouse benefits; thus the monthly benefit is somewhat higher than the PIA. Dual entitlements in the four other quintiles are minimal. Benefits are generally less than PIAs on account of reduction for early retirement.				
Source: MBR, benefits newly awarded in 1999.				

### BAROMETER MEASURES FOR RELIANCE ON SSI BENEFITS

SSI As A Percent of Total Income			
Age	Percent Who Rely on SSI for:		
	Half or More of Total Income	90% or More of Total Income	100% of Total Income
Under 18	99.7	98	96
18-64	66	47	42
65+	38	22	19
NOTE: Counts the person's SSI as a percent of the person's total money income in a 1-month period, not including nonmoney transfers such as food stamps. SSI amounts from SIPP have been replaced with SSI Federal and Federally administered State supplementary payments from SSA's program records that have been matched to the SIPP.			
Source: SIPP and SSA program records, March 1997.			

### SSI Barometer Measures

#### SSI BAROMETER MEASURES FOR POVERTY STATUS

Poverty Gap With and Without SSI			
Age	Monthly Without SSI (millions)	Poverty Gap With SSI (millions)	Percent Reduction in Gap Due to SSI
All	\$2,390	\$936	61
Under 18	\$273	\$107	61
18-64	\$1,631	\$655	60
65+	\$486	\$174	64
NOTE: The poverty gap is the dollars needed to bring income of SSI recipients to the poverty level. Poverty is based on family money income in a 1-month period, not including nonmoney transfers such as food stamps. SSI amounts from the Survey of Income and Program Participation (SIPP) have been replaced with SSI Federal and Federally administered State supplemental payments from SSA's program records that have been matched to the SIPP.			
Source: SIPP and SSA program records, March 1997.			

#### BAROMETER MEASURES ON SSI BENEFICIARIES RETURNING TO WORK

Disabled SSI Recipients Aged 18-64 Who Are Working				
	Working Above SGA	Working at or Below SGA	Total Working	All Disabled Recipients
Number	25,000	232,000	257,000	3,691,000
Percent of All Disabled Recipients	0.7	6.3	7.0	NA
Average Gross Monthly Earnings	\$928	\$218	\$287	NA
Source: Supplemental Security Record (SSR), December 1999.				

<b>Disabled SSI Recipients Aged 18-64 Whose Benefits Ceased Due to Work</b>		
<b>Recipients Whose Benefits Ceased:</b>		
<b>Number</b>	<b>Percent of All SSI Recipients</b>	<b>Percent of All Workers</b>
16,010	.4	5.0
NOTE: Number of recipients whose benefits (cash and/or Medicaid) ceased during the quarter ending March 31, 2000. These data are reported quarterly. Quarterly numbers cannot be added together because this would produce an overcount of people who start and stop work multiple times during a year.		
Source: SSR, 2000.		

### SSI BAROMETERS ON ADEQUACY OF BENEFITS

<b>SSI As A Percent Of The Poverty Threshold In States With "Broad Coverage" State Supplement Groups</b>				
<b>State</b>	<b>Number in a Broad SSI Coverage Group (thousands)</b>	<b>Percent of All State Recipients</b>	<b>SSI Annual Income Level*</b>	<b>SSI as Percent of Poverty Threshold for One Person</b>
CA	786	75	\$8,112	95
MA	80	48	\$7,548	90
MI	193	90	\$6,168	73
NJ	110	75	\$6,372	75
NY	313	51	\$7,044	83
PA	238	86	\$6,324	74
Federal Benefit	6,557	NA	\$6,000	71
* Federal SSI plus Federally administered State supplements in the above States for one person.				
NOTE: A broad coverage group includes persons with the most common type of living arrangement within each state, which varies from State to State. Individuals in such living arrangements receive an SSI Federally administered State supplement together with the Federal payment that moves them closer to the poverty threshold than the Federal payment alone.				
Source: SSR and data from States, 1999.				

# Programmatic Information

This section supplements the GPRA Performance Report with more detail on how effectively and efficiently SSA performs its day-to-day business processes and service delivery functions. Included are performance indicators to assess the effectiveness in achieving intended results relating to service delivery goals and objectives outlined in the Agency's strategic plan published in FY 1997 and workload and unit cost data to measure the efficiency of operations. Many of the performance indicators which appeared in this

section in past reports are now contained in the GPRA Annual Performance Report beginning on page 78.

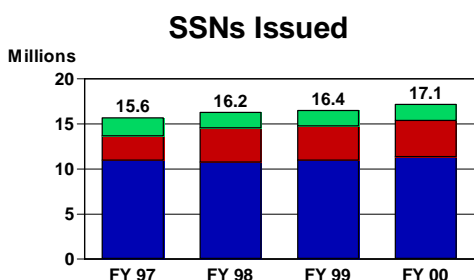
"NA" indicates that actual data are unavailable for that particular fiscal period. When current dollars are presented to restate prior period costs at the 2000 cost levels, the conversion from "actual dollars" to current dollars is calculated based on the change in the cost of an average SSA workyear. The indices used to adjust prior period costs are 1.063292 for 1999, 1.075684 for 1998, 1.168371 for 1997 and 1.173177 for 1996.

## Enumeration Process

Enumeration is the process by which SSA assigns Social Security numbers (SSN) to individuals who request them and issues original and replacement cards as a record of each number assigned to a particular individual. The purpose of the number is to maintain accurate records of earnings covered by the Social Security Act and to pay benefits accurately under the various Social Security programs.

original SSN cards issued. As part of the State's birth registration process in the hospital, a parent can request an SSN be assigned to his/her newborn. The State's office of vital statistics then extracts the data SSA needs to assign a number and transmits the data to SSA Headquarters where the cards are issued.

The issuance of original and replacement cards must be prompt and efficient. SSA's ability to advise applicants of their assigned SSN within 24 hours of initial processing has remained very high over the last several years.



	FY 97	FY 98	FY 99	FY 00
Replacement	10.9	10.7	10.9	11.3
Original at Birth	2.7	3.8	3.8	4.0
Other Original	2.0	1.7	1.7	1.8

Application for both original and replacement cards is made through SSA field offices and the data is transmitted to SSA Headquarters in Baltimore where the numbers are assigned and the cards are issued. Application for original SSNs for newborns is also made through another process called Enumeration at Birth, which accounts for the majority of

% of applicants that can be notified orally of their SSN within 24 hours of initial processing of application			
FY 97	FY 98	FY 99	FY 00
94.4%	98.9%	96.5%	96.8%

Requests for SSNs are processed timely, without sacrificing the integrity of the numbers issued. SSA has assigned about 405 million SSNs since the program began in 1936.

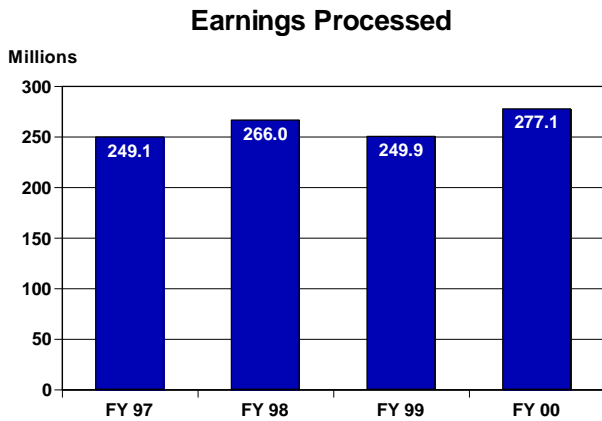
Average Processing Time (days)			
FY 97	FY 98	FY 99	FY 00
0.4	0.1	0.3	0.3

Enumeration Workload Data	FY 97	FY 98	FY 99	FY 00
Workyears	2,811	2,902	2,692	2,909
Production Per Workyear	5,539	5,584	6,063	5,888
Unit Costs (Current \$)	\$15.86	\$15.07	\$14.77	\$15.29

## Earnings Process

Reports of earnings must be filed annually by every employer who is liable for Social Security and Medicare taxes. Employers may submit wage reports to SSA on paper or on electronic or magnetic media. To ensure completeness of earnings data, wage items are matched yearly against employer tax data reported to the Internal Revenue Service (IRS). Record corrections may be initiated by an employer, IRS, SSA or an employee. Individuals may request statements of their earnings records and corrections to those records by contacting SSA in person, by phone or through the mail or the Internet.

year processing. Once all wage and self-employment income information is processed, these measures are recalculated using actual data.



The data on the following charts shown as FY 2000 performance relates to the processing of tax year 1999 data. SSA annually estimates the number of annual wage reports (AWRs) and the amount of self-employment income that will be posted for a particular tax year. These estimates are used to monitor current

Number of months to post 98.5 percent of AWRs for the tax year			
FY 97	FY 98	FY 99	FY 00
9.8	9.0	9.5	NA

% of AWRs Posted Following the Close of the Tax Year				
	FY 97	FY 98	FY 99	FY 00
Within 6 months	86.9%	83.0%	83.1%	90.1%*
Within 9 months	97.8%	98.5%	92.9%	97.6%*

\* Estimates

% of Self-Employment Income Posted Following the Close of the Tax Year				
	FY 97	FY 98	FY 99	FY 00
Within 9 months	80.4%	89.5%	88.5%	93.5%*
Within 12 months	99.5%	99.8%	100%	NA

\* Estimate

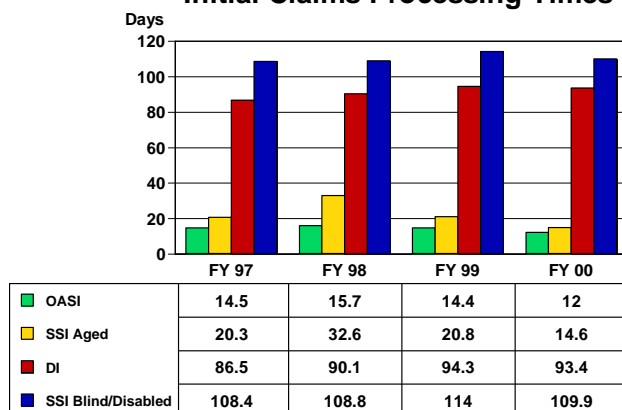
Earnings Workload Data	FY 97	FY 98	FY 99	FY 00
Earnings Processed	249,123,545	266,011,984	249,867,974	277,145,696
Workyears	1,303	1,223	1,007	904
Production Per Workyear	191,210	217,440	248,131	306,577
Unit Costs (Current \$)	\$0.44	\$0.37	\$0.31	\$0.25

## Claims Process

To become entitled to benefits under any of the programs that SSA administers, an individual must file an application and submit proof of eligibility. Those who are dissatisfied with SSA's decisions may request further review. The claims process comprises the actions that SSA takes to determine an individual's eligibility for benefits, beginning with the individual's initial contact through payment effectuation or administrative appeal.

The process for determining eligibility for benefits involves certain basic functions that are consistent across each of the programs that SSA administers: outreach and information, intake, evidence collection, determination of eligibility, notification of award or denial and initial payment. However, eligibility requirements vary considerably by program and type of benefit.

**Initial Claims Processing Times**



Following are several performance measures for this particular business process.

% of continuing monthly payments made on the scheduled delivery date				
	FY 97	FY 98	FY 99	FY 00
OASI	99.9%	99.9%	99.9%	99.9%
SSI	99.9%	99.9%	99.9%	99.9%

The "Initial Payment Accuracy Rate" is the measure of accuracy of the first payment made to newly awarded OASI and SSI claimants. It is calculated by dividing the amount of payments made correctly by the total amount that should have been paid. Although it would appear that performance had declined, the changes from FY 1998 to FY 1999 are not statistically significant.

Initial Payment Accuracy Rate				
	FY 97	FY 98	FY 99	FY 00
OASI	95.6%	97.1%	93.4%	NA
SSI	92.5%	93.3%	91.6%	NA

The Index of Dollar Accuracy is based on a statistically reliable sample of the workloads reviewed. It measures the dollar accuracy of adjudicative decisions over the retrospective, current and prospective lifetime of the payment. For OASI, the Index of Dollar Accuracy rate represents total dollars paid divided by dollars that should have been paid over the life cycle of the award. For SSI, it expresses the relationship of field office processed initial claims and redetermination dollars paid to dollars that should have been paid over the expected life of the award or redetermination. The lifetime of the SSI award continues until termination or redetermination. The percent of lifetime OASI initial awards has remained consistently high for the past several years. The changes in the SSI index of dollar accuracy rate from one year to the next are not statistically significant.

% of lifetime dollars from a claims award or redetermination that are paid correctly				
	FY 97	FY 98	FY 99	FY 00
OASI	99.8%	99.8%	99.6%	NA
SSI	93.0%	93.9%	94.2%	NA
- Awards	90.4%	94.8%	93.2%	NA
- Redets.	94.3%	93.5%	94.5%	NA

<b>Claims Workload Data</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Workload Receipts</b>				
- OASI	3,112,022	2,992,786	3,041,782	3,368,093
- DI	1,529,513	1,487,545	1,505,689	1,598,479
- SSI Aged	128,492	138,570	149,716	153,536
- SSI Blind/Disabled	1,496,408	1,444,351	1,480,536	1,546,883
Total	6,266,435	6,063,252	6,177,723	6,666,991
Year-to-Year Change	-5.6%	-3.2%	1.9%	7.92%
<b>Workloads Processed</b>				
- OASI	3,129,238	3,020,268	3,076,937	3,404,938
- DI	1,662,353	1,536,900	1,513,780	1,577,815
- SSI Aged	125,680	135,442	148,382	153,474
- SSI Blind/Disabled	1,498,520	1,429,247	1,440,689	1,493,390
Total	6,415,791	6,121,857	6,179,788	6,629,617
Year-to-Year Change	-4.1%	-4.6%	0.6%	8.29%
<b>End-of-Year Pending</b>				
- OASI	56,844	55,505	38,531	30,667
- DI	167,081	259,018	291,104	343,362
- SSI Aged	8,138	8,469	9,101	7,602
- SSI Blind/Disabled	367,625	328,260	365,281	412,495
Total	599,688	651,252	704,017	794,126
<b>End of Year Pending as % of Current Year's Dispositions</b>				
- OASI	1.8%	1.8%	1.3%	0.9%
- DI	10.1%	16.9%	19.2%	21.8%
- SSI Aged	6.5%	6.3%	6.1%	5.0%
- SSI Disabled	24.5%	23.0%	25.4%	27.6%
Workyears	19,560	17,263	16,714	17,236
Production Per Workyear	328	355	370	385
<b>Unit Cost (Current \$)</b>				
- OASI	\$235.10	\$208.42	\$201.89	\$189.84
- DI	635.87	620.08	643.93	616.90
- SSI Aged	363.42	312.71	282.72	224.65
- SSI Disabled	606.35	555.15	555.66	543.88
- Overall Average	428.17	395.02	394.61	372.03

## Disability Determination Services (DDS)

The following tables illustrate the DDS performance accuracy for disability determinations. Performance accuracy rates reflect the estimated percentages of initial disability determinations and reconsideration disability determinations that do not have to be returned to the DDS for development of additional documentation or correction of the disability determination. Accuracy of initial disability determinations have remained relatively constant over the last 5 years.

Performance accuracy				
	FY 97	FY 98	FY 99	FY 00
<b>Initial Disability Determinations:</b>				
- Overall Avg.	94.0%	93.7%	94.3%	94.2%
- Allowances	95.9%	96.1%	96.5%	97.0%
- Denials	93.1%	92.3%	93.0%	92.4%
<b>Reconsideration Disability Determinations:</b>				
- Overall Avg.	92.3%	91.6%	92.3%	92.2%
- Allowances	94.0%	95.6%	96.0%	96.9%
- Denials	92.0%	90.9%	91.6%	91.3%

The following table reflects the net accuracy of initial disability determinations. Net accuracy is the percentage of correct DDS disability determinations. The net accuracy rate is based on the net error rate (defined as the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases that are not corrected within 90 days following the period covered by the report) divided by the number of cases reviewed. Net accuracy of initial disability determinations has remained fairly stable over the past 4 years.

Net accuracy of initial disability determinations				
	FY 97	FY 98	FY 99	FY 00
- Overall Avg.	96.5%	96.2%	96.7%	NA
- Allowances	97.6%	97.9%	98.0%	NA
- Denials	95.9%	95.3%	95.8%	NA

SSA is mandated by statute to review at least 50 percent of the favorable disability insurance determinations made by State DDSs. These reviews of initial and reconsideration allowances are conducted prior to

effectuation of the DDS determination. We also perform preeffectuation reviews of DDS determinations of continuing eligibility. SSA uses a profiling system to select cases for review. This helps to 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.

Preeffectuation Reviews				
	FY 97	FY 98	FY 99	FY 00
% of accurate decisions to allow or continue benefits by State DDSs	96.4%	96.4%	96.4%	96.6%
No. of cases reviewed	249,321	241,611	254,134	259,785
No. of cases returned to DDS due to error or inadequate documentation	9,013	8,729	9,082	8,748

SSA also performs quality assurance reviews to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The tables below show that the State DDS have consistently made the correct decision to allow benefits.

Quality Assurance Review				
	FY 97	FY 98	FY 99	FY 00
% of accurate decisions to allow or continue benefits by State DDSs	95.8%	96.1%	96.1%	96.7%
No. of cases reviewed	42,402	42,303	43,863	42,196
No. of cases returned to DDS due to error or inadequate documentation	1,801	1,638	1,705	1,381

<b>DDS Workload Data<sup>1</sup></b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Workload Receipts</b>				
- Initial Disability Cases	2,075,074	2,040,738	2,053,492	2,116,667
- Total Cases	3,805,920	3,848,878	3,786,564	3,887,035
<b>Workload Processed</b>				
- Initial Disability Cases	2,186,136	2,023,748	2,012,047	2,035,627
- Total Cases	3,804,111	3,792,151	3,774,209	3,756,923
<b>End-of-Year Pending</b>				
- Initial Disability Cases	399,392	416,378	457,823	535,407
- Total Cases	703,696	760,026	772,381	900,502
<b>Production Per Workyear</b>	269	265	258	264

1. The initial disability case data for FYs 1997-1999 for workload receipts and workload processed have changed from those presented in the FY 1999 report due to the removal of Federal Medicare reconsideration and hearings cases, which were erroneously shown as initial Federal Medicare cases. The overall total disability cases were not affected.

### *Due Process Operations*

Due process operations consists of reconsiderations, hearings and appeals. Data for the hearings processing time performance indicator may be found in the GPRA Annual Performance Report.

The following measure focuses on the reconsiderations of initial claims (which constitute the majority of all reconsideration actions). Should a reconsideration be filed, it is expected that the beneficiary will receive a prompt reply.

<b>% of requests for reconsideration of denied disability claims completed within 60 days of filing</b>			
<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
53.2%	50.9%	46.2%	43.9%

In FY 2000, the processing time for the appeals workload increased to an average of 505 days.

<b>Appeals Council Processing Time (Days)</b>			
<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
340	430	458	505

The average processing time was 47 days higher than in FY 1999. Early in calendar year 2000, the Appeals Council Process Improvement (ACPI) Plan was implemented with an eye toward reducing average processing time for the appeals workload. Differential case management was implemented as one means of increasing the number of appeals processed. Additional sources were tapped to increase the number of

adjudicators available to process claims. Productivity increased as the result of these initiatives and the pending level began to decline as did the processing time. However, the pending during the year included a greater percentage of aged cases than in prior years. Therefore, the average processing time for those cases cleared during the FY increased.

This is the seventh year that the percentage of Appeals Council reviews that have decisions made and notices sent within 90 days after filing the appeal was tracked. At the beginning of the year, one percent of reviews was processed within 90 days. Early in calendar year 2000, the Appeals Council implemented the ACPI Plan. The plan contained numerous initiatives aimed at reducing both the number of pending request for review cases as well as the processing time.

The initiatives included differential case management and case processing by managers and Office of the General Counsel adjudicators. As the year progressed, the number of cases being processed on a monthly basis increased and decreases occurred in both the pending level and the processing time. However, because of the number of aged cases pending before the Council, only a slight improvement in this indicator occurred. Accordingly, the percentage of reviews processed within 90 days increased, albeit slightly, to two percent.

<b>% of reviews with decisions made and notices sent within 90 days after filing</b>			
<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
1.0%	1.0%	1.0%	2.0%



<b>Due Process Workload Data</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Workload Receipts</b>				
- Hearings	547,612	519,179	524,644	569,276
- Appeals	128,970	129,033	135,379	130,534
<b>Workloads Processed</b>				
- Reconsiderations	1,052,732	1,054,512	981,347	910,921
- Hearings	574,795	618,578	596,999	539,426
- Appeals	104,876	119,271	109,691	146,980
<b>End-of-Year Pendings</b>				
- Hearings	483,712	384,313	311,958	346,756
- Appeals	117,605	127,367	153,056	136,002
<b>End-of-Year Pendings as a % of Current Year's Dispositions</b>				
- Hearings	84.2%	62.1%	52.3%	64.3%
- Appeals	112.1%	106.8%	139.5%	92.5%
Workyears	12,773	13,218	12,951	12,149
Production per Workyear (total)	136	136	130	131
<b>Unit Costs (Current \$)</b>				
- Reconsiderations	\$430	\$413	\$431	\$428
- Hearings	1,451	1,490	1,491	1,510
- Appeals	511	489	547	440
- Overall Average	831	844	865	838

## Postentitlement Process

Once individuals become entitled to Social Security or SSI benefits, any changes in their circumstances that affect the amount or continuation of payment must be reflected in SSA's records. The postentitlement process encompasses the actions that SSA takes, after an OASDI or SSI claim is processed to an initial award, to ensure continuing eligibility and timely and correct payment of benefits. Examples of these actions include change of address, benefit recomputations, overpayments and reviews of disability beneficiaries to determine their continuing eligibility for benefits. The

performance accuracy of these continuing disability reviews (CDR) is displayed below.

<b>CDR Performance Accuracy</b>				
	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
- Overall Avg.	94.7%	94.8%	95.3%	96.1%
- Allowances	95.1%	95.7%	95.8%	96.5%
- Denials	94.0%	91.5%	93.3%	93.6%

<b>Postentitlement Workload Data</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
<b>Workloads Processed</b>				
- OASI	65,677,579	64,970,602	58,571,017	63,883,455
- DI	13,095,777	14,101,384	13,139,294	14,158,427
- SSI	22,175,293	21,783,670	20,192,328	20,379,354
- Total	100,948,649	100,855,656	91,902,639	98,421,236
Workyears	20,289	20,175	20,420	20,236
Production per Workyear	4,976	4,999	4,501	4,864
Periodic CDRs Processed	690,478	1,391,889	1,703,414	1,836,510
Redeterminations Conducted	1,772,818	1,852,842	2,122,279	2,182,027
Representative Payee Actions	6,295,379	7,063,595	7,644,563	6,151,264
<b>Unit Costs (Current \$)</b>				
- OASI	\$11.67	\$10.27	\$10.78	\$9.98
- DI	40.31	40.02	39.48	37.60
- SSI	44.54	43.47	53.32	48.46
- Overall Average				
- Per Work Unit	20.61	21.35	24.23	21.92
- Per Beneficiary	41.37	42.58	43.77	42.03

## 800 Number Telephone Service

In addition to providing face-to-face service, SSA offers a single nationwide toll-free number (1-800-SSA-1213) weekdays from 7 a.m. to 7 p.m. in each time zone. Service is available for the hearing-impaired community during the same hours using a telecommunication device for the deaf. Automated services are also available at all times including after normal business hours, on weekends and holidays. Using the automated services, callers can request applications for SSNs, Social Security statements, verification of monthly benefit amounts, Medicare information and a replacement Medicare card, and recorded information on local field offices and Medicare carriers and intermediaries.

SSA conducts an ongoing evaluation of the national 800 number service. National 800 number accuracy rates are derived from the remote monitoring of calls handled by teleservice representatives and program service center SPIKE employees (individuals in Program Service Centers who answer 800 number calls during high volume periods).

<b>Portion of National 800 Number calls handled accurately</b>				
	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>
% of responses leading to correct payments (payment accuracy - all calls)	97.1%	97.0%	97.4%	NA
% of responses leading to correct payments (payment accuracy -payment affecting calls)	95.2%	94.7%	95.4%	NA
% of responses which did not result in inconvenience to the caller or cause additional SSA workloads (service accuracy)	84.3%	81.7%	81.8%	NA

The payment accuracy rates represent the percentage of all calls free of teleservice failures which have a reasonable potential to improperly affect payment of or eligibility to benefits. There are two measures of payment accuracy: 1) Payment accuracy based on the universe of all calls; and 2) payment accuracy based only on calls with the potential to affect payment of or eligibility to benefits. The service accuracy rate represents the percentage of calls free of teleservice failures in service delivery which do not have a reasonable potential to improperly affect payment or eligibility to benefits. Service errors involve situations which can: 1) Result in inconvenience to the public; 2) cause additional SSA workloads; or 3) result in situations where information is released from SSA records or reports which affect SSA records and are accepted before obtaining all identifying information required by SSA.

While staff courtesy ratings from 800 number customers remained high based on the February 2000 survey results, overall satisfaction fell to 81 percent excellent, very good or good. The decline from the FY 1999 satisfaction rate of 84 percent was statistically significant. Access to 800 number service continued to be the issue adversely affecting the overall rating, with customer ratings falling significantly when they had difficulty getting through. Time spent on hold contributed to poor perceptions of access.

Staff Courtesy			
FY 97	FY 98	FY 99	FY 00
98%	97%	90%	91%

Service Satisfaction			
FY 97	FY 98	FY 99	FY 00
89%	83%	84%	81%

The chart below displays SSA's 800 Number workload data. Calls placed represent the actual number of calls placed to the 800 number including busy signals. Calls received consists of all callers that get through and either conduct business or hang up while on hold. Calls handled represent all callers that conduct business with SSA.

SSA's 800 Number Workloads (In Millions)				
	FY 97	FY 98	FY 99	FY 00
Calls Placed	75.3	78.9	78.7	87.1
Calls Received	68.4	70.5	71.8	76.0
Calls Handled	55.5	54.7	58.8	59.5

## Informing the Public

Keeping the public informed about the Social Security program is one of the most important things that SSA does. Effective, factual communication about the nation's Social Security programs has been a priority for SSA during the past two years of national debate. The public needs to fully understand the programs, the benefits to themselves and society as a whole, and the financing principles so they can actively participate in the national discussions about the future of Social Security. SSA has also realized that it should go beyond providing basic information about Social Security, and that the Agency should take the lead in educating workers and their families about retirement planning.

SSA has committed to an aggressive, proactive public education outreach campaign. The campaign includes: 1) public events and media campaigns; 2) the development of new brochures and printed materials;

3) the *Social Security Statement*; and 4) making maximum use of new technology, including the Internet.

Within the last two years, SSA employees have participated in more than 10,000 public events and media opportunities on Social Security. The Agency also developed special public information materials to support the national dialogue on long-range Social Security financial issues. On October 1, 1999, SSA launched the largest customized mailing ever undertaken by a Federal agency, the *Social Security Statement*, potentially the Agency's most valuable public information and education tool. This automatic mailing takes place at a rate of over 500,000 *Statements* per business day, with about 10 million issued each month. Workers receive their *Statement* about three months before their birthday. This timing will be

especially helpful to individuals who are thinking about retirement because it will provide them with a current benefit estimate.

Percent of Covered Workers Receiving Social Security Statements			
FY 97	FY 98	FY 99	FY 00
7.1%	10.6%	12.8%	57.3%

SSA is working to further expand the use of the Internet as an information source. SSA's website is recognized as among the most innovative and information-rich in government. The website provides visitors with program information, and with downloadable versions of the top two dozen forms used by the public. It attracts more than 10 million individuals per year-up from 22,000 just six years ago. The website provides access to "Benefit Planners" which allows individuals of any age to compute estimates of their Social Security

benefits. This "Calculator" which provides benefit calculations and estimates based strictly on input from users to ensure that there are no privacy concerns regarding the service.

SSA's website also offers both English and Spanish language version of most information pamphlets and fact sheets that SSA publishes on its benefit programs as well as informational material on the SSI and Medicare programs. The website provides additional information about the *Social Security Statement* for individuals who may have questions after receiving their *Statement*, as well as providing information to those individuals who may have problems such as a mistake in their name, date of birth or earnings record information. SSA's website is not only a convenience for the increasing number of Americans, who look to the Internet as their "information source of choice", it also helps reduce the 800 number traffic for the operations components.

Informing the Public Workload Data	FY 97	FY 98	FY 99	FY 00
<b>Earnings Statements</b>				
- Total Number Issued	15,702,739	24,109,695	30,140,944	137,538,881
- Workyears	357	267	252	220
- Unit Costs (Current \$)	\$1.97	\$0.96	\$0.69	\$0.45

## Face-to-Face Service

SSA has a long tradition of providing face-to-face service for customers in its field offices (FO). SSA has 1,343 FOs nationwide which provide a full array of services for customers, from answering general questions about programs to making complex eligibility determinations. Providing prompt, courteous service in our FOs is crucial to becoming an Agency that truly provides "World-Class Service." An indicator of this type of service is the length of time visitors spend in FOs waiting for service.

The following tables display the results of the waiting times in SSA's FOs.

National Field Office Waiting Times				
	FY 97	FY 98	FY 99	FY 00
Wait time to first contact (in minutes)	11.4	12.5	12.9	14.3

National Field Office Waiting Times				
	FY 97	FY 98	FY 99	FY 00
<b>Visitors with appointments</b>				
- Avg. wait time (in minutes)	5.6	5.8	6.6	6.2
- % seen within 10 minutes	84.9%	87.4%	84.6%	84.2%
- % seen within 15 minutes	90.3%	92.5%	89.9%	90.2%
<b>Visitors without appointments</b>				
- Avg. wait time (in minutes)	23.9	25.8	25.6	24.3
- % seen within 30 minutes	72.7%	71.9%	71.6%	73.2%
- % seen within 60 minutes	91.6%	89.9%	90.4%	91.5%

SSA's interaction tracking survey of office visitors, introduced for FY 2000 performance reporting, obtains customer impressions of service in field and hearings offices shortly after the contact. Survey results show customers were highly satisfied with SSA's in-person service: Nine out of ten survey responders rated overall service on the day of the contact as excellent, very good or good. This high degree of satisfaction is mainly attributable to very positive impressions of the service provided by SSA employees. Among the specific aspects of service rated in the Office Visitor survey, employee attributes received the highest ratings, which

The public can initiate requests for all information and services by writing to SSA. Though members of the public do not often make their first contact with SSA through the mail, SSA's need to make contact on a large scale means that SSA frequently interacts with customers by mail. General program information is mailed to requesters and notices are sent to explain eligibility and payment decisions and to inform clients of their rights and responsibilities.

Previous Accountability Reports have included an annual customer's rating of the clarity of SSA mail. This rating, which was derived from a survey of our

seemed to outweigh more negative opinions of such tangible aspects of service as waiting time and privacy in the office.

The table below provides satisfaction ratings, defined as the percent rating service as excellent, very good or good, for the various aspects on office survey rated in the survey.

Office Visitors	
Aspect of Service:	Percent "Satisfied"
<b>Employee Attributes</b>	
Staff helpfulness	91%
Staff courtesy	92%
Staff knowledge	93%
Clarity of staff explanations	90%
<b>Office Environment</b>	
Office location	89%
Office hours	90%
Signs/Instructions in waiting area	85%
Office comfort	79%
Office privacy	70%
<b>Access to Service</b>	
Appointment convenience	89%
Waiting time	75%
<b>Forms Completion</b>	
Ease of completion	87%

## Mail

customers, has helped us monitor the effect on customer satisfaction of notice language and the notice improvements we make. Throughout the 1990's, there was a gradual increase in the percent of customers rating SSA notices as good to excellent. Satisfaction rose from 78 percent in 1996 to 86 percent in 1999. We discontinued that measure to pursue targeted notice studies that will provide specific information to help us improve the clarity of our most difficult notices.

Although approximately 90 percent of SSA notices have been improved, some of our most difficult notices are yet to be improved. In General Accounting

Office (GAO) audit number 11999024, “SSA: Longstanding Problems In SSA’s Letters to the Public Need to be Fixed,” GAO recommended that SSA develop performance measures to assess whether changes to notices achieve intended results.

We plan to secure benchmark information about how well our beneficiaries currently understand these problematic notices and will conduct a customer

satisfaction survey for targeted notices in FY 2001. Using feedback from the benchmark survey, we will develop performance measures that address GAO’s concerns. As we continue to revise notice language, we will conduct follow-up customer surveys targeted to measure the level of customer understanding of the revised notices and the degree to which the desired performance has been achieved.

## Internet

The public can also quickly and conveniently access most general program information, frequently requested forms and other information of interest through SSA’s Internet website, *ssa.gov*. In FY 2000, our Internet customers downloaded nearly 6 million informational brochures addressing virtually every aspect of Social Security benefits. They also downloaded 4,250,000 commonly used forms using our Internet site.

We surveyed our online customers to determine their satisfaction with the services we provide at our website. A total of 79 percent of our customers rated SSA’s Web site as “good,” “very good” or “excellent” in FY 2000.

This was a slight drop from 81 percent achieved in FY 1999. However, we achieved a significant rise in those rating our site as “excellent;” 27 percent versus 17 percent in FY 1999.

% of online customers who rated SSA’s website as “good,” “very good” or “excellent”			
FY 97	FY 98	FY 99	FY 00
NA	NA	81.0%	79.0%

**AUDIT OF  
THE SOCIAL SECURITY  
ADMINISTRATION'S  
FISCAL YEAR 2000  
FINANCIAL STATEMENTS**







## **SOCIAL SECURITY**

Office of the Inspector General

December 1, 2000

To Kenneth S. Apfel  
Commissioner of Social Security

This letter transmits the PricewaterhouseCoopers LLP (PwC) report on the audit of the Fiscal Year (FY) 2000 financial statements of the Social Security Administration (SSA) and the results of the Office of the Inspector General's (OIG) review thereof. PwC's report includes the firm's opinion on SSA's FY 2000 financial statements, its report on SSA management's assertion about the effectiveness of internal control, and its report on SSA's compliance with laws and regulations.

### **Objective of a Financial Statement Audit**

The objective of a financial statement audit is 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

PwC's examination was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 01-02. The audit includes obtaining an understanding of the internal control over financial reporting, and testing and evaluating the design and operating effectiveness of the internal control. Due to inherent limitations in any internal control, there is a risk that errors or fraud may occur and not be detected.

The risk of fraud is inherent to many of SSA's programs and operations, especially within the Supplemental Security Income (SSI) program. In our opinion, people outside of the organization perpetrate the majority of frauds against SSA. A discussion of fraud issues affecting SSA and the activities of the OIG to address fraud is presented in the Inspector General's Report to the Congress section within this Accountability Report.

### **Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576), as amended, requires SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the OIG, PwC, an independent certified public accounting firm, performed the audit of SSA's FY 2000 financial statements.

PwC also audited the FY 1999 financial statements, presented in SSA's Accountability Report for FY 2000 for comparative purposes.

PwC issued an unqualified opinion on SSA's FY 2000 financial statements. PwC also reported that SSA's assertion that its systems of accounting and internal control are in compliance with the internal control objective in OMB Bulletin No. 01-02 is fairly stated in all material respects. However, the audit identified one reportable condition in SSA's internal control. The control weakness identified is:

#### SSA Needs to Further Strengthen Controls to Protect Its Information

This is a repeat finding from prior years. It is the opinion of PwC that, SSA has made notable progress in addressing the information protection issues raised in prior years. Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks. The general areas where exposures occurred included:

- Logical access controls at non-headquarters sites;
- Policies and rules governing the operation of firewalls on the SSA network; and
- Technical configuration of a contractor-controlled domain within SSA's Windows NT Network (Corrected by SSA before completion of the audit).

On October 30, 2000, the *Government Information Security Reform Act*, H.R. 5408, was passed. As of the auditor's reporting date, implementation guidance has not been issued. This Act requires an annual independent evaluation of the Agency's information security program by its Inspector General, or the IG's independent evaluator. The Agency's head will send the results, of this evaluation, each year, to the Director of OMB not later than the anniversary date of this legislation. SSA plans to report on its compliance with this law in its FY 2001 Performance and Accountability Report. We believe SSA should also consider the potential impact this legislation may have on how it reports internal control deficiencies under the Federal Managers' Financial Integrity Act of 1982.

In FY 1999, PwC reported a second reportable condition, "SSA Needs to Complete and Fully Test Its Plan for Maintaining Continuity of Operations." In FY 2000, SSA made significant progress to correct this weakness and in the opinion of the auditors, it is no longer a reportable condition. Nonetheless, SSA's work in this area is incomplete and weaknesses remain particularly with regard to business continuity and disaster recovery issues at non-headquarters sites and at the state Disability Determination Service (DDS) offices. These issues will be reported in PwC's FY 2000 Management Letter.

We commend SSA on its progress for improving its plan for continuity of operations, but encourage the Agency to make timely correction of the weaknesses remaining. Continuity of operations and disaster recovery of critical systems is crucial to the overall operations of SSA programs, its service to the public, and the public's confidence in the Government.

One area of particular concern is the timeframe for recovery of critical Agency systems in the event of an interruption or disaster. SSA's improved plan contains a provision for operational recovery of critical systems within 72 hours—a timeframe, which PwC agrees, would not risk material misstatement of the financial reporting of the Agency. However, Presidential Decision Directive (PDD) 67, *Enduring Constitutional Government and Continuity of Government Operations*, dated October 21, 1998, requires critical systems to be recovered and operational within 12 hours of recovery plan activation. Although the Agency has improved its ability for

critical systems to become operational within 72 hours, which PwC believes mitigates the risk of material misstatement on financial reporting, SSA is not in compliance with related provisions under PDD 67.

In FY 1999, PwC reported two instances of noncompliance with laws and regulations as follows:

- Section 221(i) of the Social Security Act, which requires periodic continuing disability reviews for Title II beneficiaries; and
- The Federal Financial Management Improvement Act of 1996 (FFMIA) for the cumulative effect of the two internal control weaknesses discussed above.

In FY 2000, PwC tests of compliance disclosed no instances of non-compliance with laws and regulations that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02. We commend SSA in their efforts to resolve the first non-compliance and encourage the Agency to continue to meet the annual continuing disability review requirements of this law. Nonetheless, we are not in agreement with PwC's opinion that SSA is in compliance with the FFMIA.

With respect to the Federal Financial Management Improvement Act of 1996 (FFMIA), the OIG, in consultation with the General Accounting Office, believes that instances of substantial non-compliance remain due to the continuing reportable condition "SSA Needs to Further Strengthen Controls to Protect Its Information." Computer security is important to ensure the protection of assets and data. A key component of the internal control weakness is the need for an improved Information Security Framework. The lack of such a framework means that important security program controls may not be functioning to ensure that controls are working as management has intended. Thus, SSA's electronic environment could be compromised. FFMIA requires Agency financial management systems to substantially comply with Federal financial management systems requirements. We believe the internal control weaknesses relating to information protection significantly depart from certain requirements in OMB Circular A-130 - *Management of Federal Information Resources* and, as such, constitute instances of substantial non-compliance with Federal financial management systems requirements under FFMIA.

On November 22, 2000, the President signed the Reports Consolidation Bill of 2000 (Act) into law. Under this law, the Head of each Executive Agency with the concurrence of the Director of OMB, may consolidate statutorily required reports described in this Act into a consolidated report. This Act was effective for FY 2000. The reports submitted under this law are due to OMB no later than 180 days after the fiscal year with respect to FY 2000 and FY 2001. This Act also requires a statement prepared by SSA's IG, which summarizes what the IG considers to be the most important management problems facing the Agency and briefly assesses the Agency's progress in addressing those challenges. The Agency head may comment on the IG's statement, but may not modify the statement.

Because the Agency has committed to issuing its FY 2000 report by December 1, 2000, it is not possible to include this statement in the Agency's FY 2000 Accountability Report at this time. We plan to issue this statement to the Agency in the near future, which will allow the Agency to issue an addendum to the FY 2000 Accountability Report, that will include the IG's statement and any comments that the Agency may have thereon. Our statement will be issued in time to allow the Agency to review and prepare any comments it may have on the IG statement and still meet the reporting requirements of the Act.

## OIG Evaluation of PwC Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored PwC's audit of SSA's FY 2000 financial statements by:

- Reviewing PwC's approach and planning of the audit;
- Evaluating the qualifications and independence of its auditors;
- Monitoring the progress of the audit at key points;
- Examining its workpapers related to planning the audit and assessing SSA's internal control;
- Reviewing PwC's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 01-02;
- Coordinating the issuance of the audit report; and
- Performing other procedures that we deemed necessary.

Based on the results of our review, we determined that PwC planned, executed and reported the results of its audit of SSA's FY 2000 financial statements in accordance with applicable standards. Therefore, it is our opinion that PwC's work provides a reasonable basis for the firm's opinion on SSA's FY 2000 financial statements and SSA management's assertion on the effectiveness of its internal control. Based on our oversight of the audit, we concur with PwC's finding of a reportable condition related to internal control weaknesses. We do not concur with PwC's conclusion that the reportable condition on information protection does not constitute an instance of substantial non-compliance with the Federal financial management systems requirements under FFMIA.



James G. Huse, Jr  
Inspector General

## REPORT OF INDEPENDENT ACCOUNTANTS

To Kenneth S. Apfel  
Commissioner of Social Security

In our audit of the Social Security Administration (SSA) for fiscal year 2000, we found that:

- The consolidated financial statements were fairly stated in all material respects;
- Management fairly stated that SSA's systems of accounting and internal control in place as of September 30, 2000 are in compliance with the internal control objectives in the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal; and
- Our testing identified no reportable instances of noncompliance with the laws and regulations we tested.

The following sections outline each of these conclusions in more detail.

### OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2000 and 1999, and the related consolidated statements of net cost, changes in net position, budgetary resources and financing for the fiscal years then ended. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us and appearing on pages 36 through 49 of this report present fairly, in all material respects, the financial position of SSA at September 30, 2000 and 1999, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary resources for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

## REPORT ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have examined management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in Office of Management and Budget Bulletin No. 01-02, requiring management to establish internal accounting and administrative controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal. Management is responsible for maintaining effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02 and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination was of the internal control in place as of September 30, 2000.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 01-02, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal, is fairly stated, in all material respects, as of September 30, 2000.

In addition, with respect to internal control related to those performance measures determined by management to be key and reported on pages 24 to 29, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions and determined whether it has been placed in operation, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on the internal control over reported performance measures, and accordingly, we do not provide an opinion on such control.

However, we noted certain matters involving the internal control and its operation that we consider to be a reportable condition under standards established by the AICPA and by OMB Bulletin No. 01-02. A reportable condition is a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to meet the internal control objectives described above. The reportable condition we noted is that SSA needs to further strengthen controls to protect its information.

A material weakness, as defined by the AICPA and OMB Bulletin No. 01-02, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the principal financial statements being audited or to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that the reportable condition that follows is not a material weakness as defined by the AICPA and OMB Bulletin No. 01-02. An issue raised in our 1999 report, that

SSA needs to complete and fully test its plan for maintaining continuity of operations, is no longer a reportable condition.

### **SSA Needs to Further Strengthen Controls to Protect Its Information**

Over the past year SSA has made notable progress in addressing the information protection issues raised in prior years. Specifically, in FY 2000 the agency has:

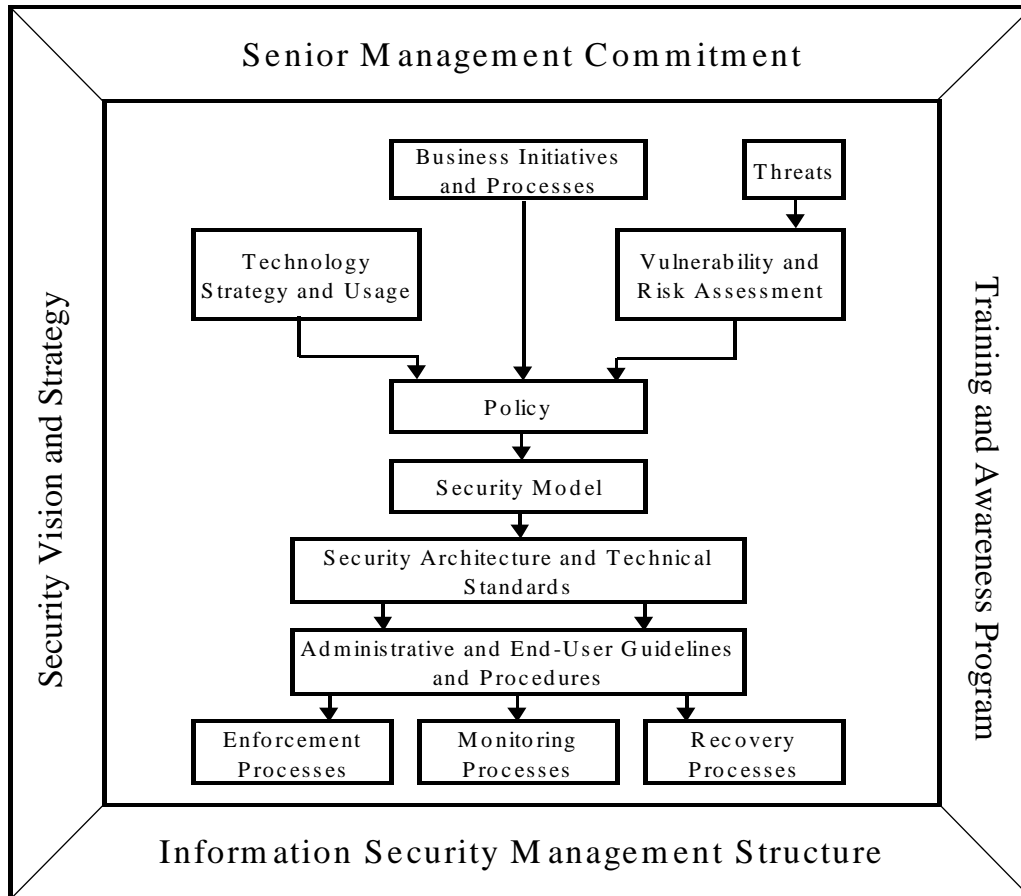
- Issued a security policy, as part of a July 2000 security plan for general support systems, in accordance with the information security requirements included in National Institute of Standards and Technology (NIST) Special Publication 800-18;
- Implemented a process based upon the Security Management Action Report (SMART) for monitoring inappropriate access to SSA mainframe systems;
- Finalized accreditation and certification of systems;
- Strengthened physical access controls over the National Computer Center (NCC);
- Reduced vulnerabilities in the mainframe operating system configuration;
- Implemented network monitoring and alerting tools; and
- Enhanced procedures for removing system access when employees are transferred or leave the agency.

Despite these accomplishments, SSA's systems environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks. Because disclosure of detailed information about these exposures might further compromise controls, we are providing no further details here. Instead, the specifics are presented in a separate, limited-distribution management letter. The general areas where exposures occurred included:

- Logical access controls at non-headquarters locations, including SSA's Program Service Centers, Data Operations Center, and selected State Disability Determination Service (DDS) facilities;
- Policies and rules governing the operation of firewalls on the SSA network; and
- Technical configuration of a contractor-controlled domain within SSA's Windows NT network (Corrected by SSA before completion of the audit).

In our view, these exposures occurred primarily because of continuing weaknesses in several components of SSA's overall information protection control structure. The terms italicized in the narrative following the diagram below, describe the various components of that structure are reflected in the Information Security Framework diagram. The Information Security Framework diagram highlights the key system security provisions of OMB Circular A-130, Appendix III, and associated NIST guidelines.

## Information Security Framework



The following examples provide insight into the types of weaknesses we identified in SSA's information protection control structure.

- *Vulnerability and Risk Assessment* - SSA has recently awarded a contract to have a security risk assessment performed for the NCC at agency headquarters. However, we could identify no additional recent risk assessments of components of SSA's network and distributed systems environment.
- *Security Architecture and Technical Standards* – The July 2000 security plan for general support systems (i.e., *Policy*) documents SSA's security goals and objectives for agency networks and distributed systems. However, detailed technical guidance to ensure the consistent accomplishment of those goals and objectives within each technical platform environment (e.g., UNIX, Windows NT, AS-400, etc.) has not yet been developed and/or disseminated. Similarly, although the firewall settings SSA has implemented prevented us from successfully penetrating the network from the outside, firewall policies and rules have not been developed to reflect the decisions SSA has made in defining its *Business Initiatives and Processes*. Until such time as detailed security architecture and technical standards are defined and implemented in line with its July 2000 security plan, SSA's overall *Security Model* will remain incomplete.
- *Administrative and End-User Guidelines and Procedures* - Organizational responsibilities for securing certain processing environments were not clearly defined by SSA. In addition, systems administration personnel at the Data Operations Center in Wilkes Barre, PA were not sufficiently familiar with generally accepted technical approaches for securing a major processing platform at that location.



- *Monitoring Processes* - Monitoring of systems security within SSA's network and distributed systems environment has been inconsistent. SSA's program for monitoring controls over internal modems for dial-in access has been aggressive and effective. However, the effectiveness of the mainframe security monitoring process using the SMART Report needs to be further enhanced. In addition, system security monitoring at non-Headquarters facilities such as SSA's Data Operations Center and State DDS facilities has been minimal and/or ineffective. SSA has not clearly defined roles and responsibilities for monitoring security at the Data Operations Center. Although SSA outlined a monitoring program for the DDS facilities, the regional reviews have not been consistent in execution, content, or reporting.

Until corrected, a weakened or incomplete security framework will continue to impair SSA's ability to mitigate effectively the risk of unauthorized access to, and/or modification or disclosure of, sensitive SSA information. The need for a strong security framework to address threats to the security and integrity of SSA operations will grow as the agency moves ahead with plans to increase its dependence on the Internet and Web-based applications to serve the American public. Unauthorized access to sensitive data can result in the loss of data, loss of Trust Fund resources, and compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs.

### **Recommendations**

We recommend that SSA accelerate and build on its progress to enhance information protection by further strengthening its entity-wide security framework as it relates to definition, implementation, enforcement, and monitoring of technical and administrative computer security mechanisms and controls throughout the organization. We recommend that SSA:

- Reevaluate its overall organization-wide security framework;
- Conduct periodic risk assessments to identify inherent vulnerabilities across mainframe, midrange and distributed systems and implement cost-effective countermeasures to mitigate risk to an acceptable level;
- Institutionalize an entity-wide security program that prescribes detailed, platform specific technical guidance to facilitate strengthening of LAN, midrange and distributed systems security;
- Develop and implement an ongoing, entity-wide information security monitoring and compliance program that includes improving the effectiveness of the mainframe monitoring process (SMART Report);
- Assure that the appropriate level of trained resources is in place to develop, implement and monitor the SSA security program; and
- Continue to reassess the security roles and responsibilities assigned throughout the organization's headquarters and non-headquarters office components.

More specific recommendations focused upon the individual exposures we identified are included in a separate, limited-distribution management letter.

## **REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02.

The management of SSA is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of SSA's compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02,

including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

## **CONSISTENCY OF OTHER INFORMATION**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of SSA taken as a whole. The other accompanying information included on pages 1 to 6, 35 and 74 to end is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

The required supplementary information included on pages 7 to 34 and 54 to 55 and the required supplementary stewardship information included on pages 56 to 73 is not a required part of the consolidated financial statements but is supplementary information required by the OMB Bulletin No. 97-01 and the Federal Accounting Standards Advisory Board, respectively. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of SSA taken as a whole. The consolidating information included on pages 51 to 54 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net position, budgetary resources and reconciliation of net cost to budgetary resources of the SSA programs. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

SSA management is responsible for:

- Preparing the annual financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing, maintaining, and assessing internal control that provides reasonable, but not absolute, assurance that the broad control objectives of OMB Bulletin No. 01-02, are met; and
- Complying with applicable laws and regulations.

Our responsibilities are to:

- Express an opinion on SSA's consolidated financial statements;
- Obtain reasonable assurance about whether management's assertion about the effectiveness of the internal control is fairly stated, in all material respects, based upon the internal control objectives in OMB Bulletin No. 01-02, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the consolidated statements in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal; and
- Test SSA's compliance with selected provisions of laws and regulations that could materially affect the consolidated financial statements.

In order to fulfill these responsibilities, we:

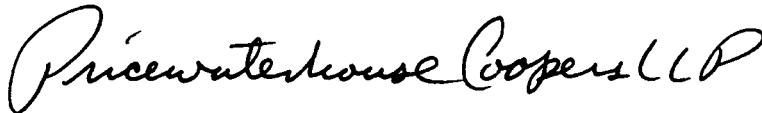
- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Evaluated the overall presentation of the consolidated financial statements;
- Obtained an understanding of the internal control related to safeguarding assets, compliance with laws and regulations including the execution of transactions in accordance with budget authority, financial reporting, and certain performance measures determined by management to be key and reported in the Performance Goals and Results;
- Tested relevant internal control over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of the internal control; and
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our report on management's assertion about the effectiveness of internal control.

\* \* \* \* \*

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

This report is intended solely for the information and use of the management and Inspector General of SSA, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.



Arlington, Virginia  
November 30, 2000



# APPENDIX





**SOCIAL SECURITY**  
Deputy Commissioner

November 29, 2000

PricewaterhouseCoopers LLP  
1616 N. Fort Myer Drive  
Arlington, Virginia 22209

Ladies and Gentlemen:

We have reviewed the draft combined report containing the Fiscal Year 2000 Report of Independent Accountants, Report on Management's Assertion About the Effectiveness of Internal Control and the Report on Compliance with Laws and Regulations. We agree with all the findings, recommendations and conclusions contained in the report and our response and comments are enclosed.

We are pleased that the report indicated that the Social Security Administration has improved its plan for maintaining continuity of operations to the extent that this area is no longer a reportable condition and that you acknowledged our notable progress in addressing the remaining reportable condition concerning protection of information. We are also pleased that your testing of compliance with laws and regulations disclosed no instances of noncompliance with the laws and regulations required to be reported under Government Auditing Standards and Office of Management Budget Bulletin Number 01-02.

Please direct any questions on our comments to Thomas G. Staples, Associate Commissioner for Financial Policy and Operations, at (410) 965-3839.

Sincerely,

William A. Halter  
Deputy Commissioner  
of Social Security

Enclosure

**Comments of the Social Security Administration (SSA)**  
**on PricewaterhouseCoopers' Draft Combined Report**  
**Containing the Fiscal Year (FY) 2000 Report of Independent Accountants,**  
**Report on Management's Assertion About the Effectiveness of Internal Control and the**  
**Report on Compliance with Laws and Regulations**

**General Comments**

Thank you for the opportunity to comment on your combined draft report containing the report of independent accountants, the report on management's assertion about the effectiveness of internal control and the report on compliance with laws and regulations. We welcome your opinion that management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in Office of Management and Budget (OMB) Bulletin No. 01-02 is fairly stated, in all material respects.

We are pleased that there were no new reportable conditions identified since last year's report and that SSA has made improvements such that the reportable condition, reported in your 1999 report, that SSA needs to complete and fully test its plan for maintaining continuity of operations, is no longer a reportable condition. We will continue to make improvements to further strengthen our controls in this area.

We are also pleased that you acknowledged notable progress in addressing the remaining reportable condition that SSA needs to further strengthen controls to protect its information. As this reportable condition continues to become more focused and defined, SSA remains committed to continue making improvements to its overall information protection control structure by completing all planned actions and addressing any issues that emerge.

Furthermore, SSA is pleased that your testing of compliance with laws and regulations disclosed no instances of noncompliance with the laws and regulations required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02. SSA will continue to make corrective actions concerning continuing disability reviews and the requirements referred to in the Federal Financial Management Improvement Act of 1996 so that SSA remains in compliance with the laws and regulations under which instances of noncompliance were previously reported.

SSA agrees with all the recommendations provided concerning the reportable condition that SSA needs to further strengthen controls to protect its information. Below are additional comments on the recommendations.



## **Recommendations**

**We recommend that SSA accelerate and build on its progress to enhance information protection by further strengthening its entity-wide security framework as it relates to definition, implementation, enforcement, and monitoring of technical and administrative computer security mechanisms and controls throughout the organization. We recommend that SSA:**

- **Reevaluate its overall organization-wide security framework;**

### **SSA Comment**

SSA undertook a major initiative in FY 2000 to evaluate its security framework. As a result of that activity, Regional Centers for Security and Integrity were established to elevate the visibility and impact of security functions in SSA field components. The process of reviewing Headquarters security infrastructure is ongoing and SSA executive management will continue to give this area high emphasis based on this recommendation. As SSA continues to reevaluate its organization-wide security framework, detailed technical guidance and implementing documentation will follow.

- **Conduct periodic risk assessments to identify inherent vulnerabilities across mainframe, midrange and distributed systems and implement cost-effective countermeasures to mitigate risk to an acceptable level;**

### **SSA Comment**

SSA has an ongoing risk management program in place and is currently undertaking a risk assessment of its National Computer Center. We are also initiating a vulnerability assessment of key SSA assets based on Presidential Decision Directive 63 initiatives. For application development, SSA's lifecycle has always included risk assessment activity in conjunction with development and implementation of production systems. However, based on this recommendation, SSA is undertaking activity to strengthen its risk assessment activity related to all platforms (mainframe, midrange and distributed).

- **Institutionalize an entity-wide security program that prescribes detailed, platform specific technical guidance to facilitate strengthening of local area network, midrange and distributed systems security;**

### **SSA Comment**

SSA is in the process of developing policy/risk models and technical standards for all SSA platforms. This documentation will identify standard minimal security settings for these systems, monitoring techniques and corrective actions for noncompliance. These models will

form the basis for developing an individual security matrix for each application utilizing the platform security settings and incorporating access, application and other compensating controls to supplement standard settings which will act together to mitigate application specific assessed risks to an acceptable level.

Designated roles and responsibility for implementation and oversight supplement these models. In addition, an agencywide training initiative is incorporated into SSA's strategy to ensure that authorized users having responsibility for managing these platforms fully understand the risks and maintain the security of the platform and application.

- **Develop and implement an ongoing, entity-wide information security monitoring and compliance program that includes improving the effectiveness of the mainframe monitoring process (SMART Report);**

#### **SSA Comment**

SSA is improving its existing compliance infrastructure. In conjunction with this, requirements for improvements to the SMART report have been developed and are expected to be implemented in the near future.

- **Assure that the appropriate level of trained resources is in place to develop, implement and monitor the SSA security program; and**

#### **SSA Comment**

SSA invests significant money and effort, agencywide, in training security personnel. SSA has an aggressive training program for both field and Headquarters personnel. The Agency has been a Computer Security Institute training site since 1994. It is strengthening its existing program by sponsoring Certified Information System Security Practitioner (CISSP) seminars for its security personnel. These seminars train on all 10 security domains and positions SSA attendees for CISSP certification.

In addition, SSA has increased security staffing in FY 2000 through postings and recruitment. These efforts are ongoing in order to ensure that SSA security functions are sufficiently staffed and trained.

- **Continue to reassess the security roles and responsibilities assigned throughout the organization's Headquarters and non-Headquarters office components.**

#### **SSA Comment**

The reassessment of security roles and responsibilities is an ongoing Agency process and is an integral part of the ongoing reevaluation of the overall organizational-wide security framework.

*Inspector General's Report to Congress*

*Fiscal Year 2000*

*October 1, 1999 Through September 30, 2000*



# Mission

To improve Social Security Administration programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. To provide timely, useful, and reliable information and advice to Administration Officials, Congress, and the public.

# Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management.

# Message From the Inspector General

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I am pleased to present the Social Security Administration's (SSA) Office of the Inspector General (OIG) Report to Congress for Fiscal Year (FY) 2000. This report meets the requirements of the Inspector General Act of 1978, as amended, and includes information that is mandated by Congress.

The accomplishments that are highlighted in this year's report result from the dedicated efforts of each member of the OIG staff. Due to this commitment, the OIG continues to make significant progress in each and every area of our organization. When added collectively, the OIG total monetary results exceed our FY 2000 appropriation by an estimated \$740 million. The Office of Investigations reported over \$282 million in investigative accomplishments with over \$30 million in SSA recoveries, restitution, fines, settlements, and judgments; over \$151 million in SSA savings; and over \$29 million in non-SSA savings. The Office of the Counsel to the Inspector General (OCIG) reported over \$1.2 million in penalties and assessments imposed for persons making false statements. In the area of misleading advertising, OCIG settled four major cases that resulted in the imposition of over \$1.1 million in penalties, achieved a voluntary compliance with eight companies, and secured a permanent injunction against one chronic offender whose scheme targeted new brides. The Office of Audit issued 65 reports with recommendations that over \$236 million in Federal funds could be put to better use and identified over \$76 million in questioned costs. Additionally, because of a recommendation in a prior report entitled, *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits*, issued in September 1998, SSA has revised our estimation of payment errors to \$1.07 billion in underpayments and \$261 million in overpayments. This exceeds our initial projection by over \$800 million.

In addition, this past year we continued our crusade to limit Social Security number (SSN) misuse and support the integrity of SSA's enumeration process. We continued this crusade in an effort to limit the spread of identity fraud through SSN misuse. We had many partners in this endeavor including SSA and Congress. Besides participating in the Department of the Treasury's National Identity Theft Summit in March 2000, we testified before congressional committees, and participated in International conferences to advance awareness of these problems. As a result of the multitude of efforts in this area, Congress intensely focused on SSN misuse and potential legislative remedies.

One of the underlying strengths of the OIG is our employees' strong sense of mission and our ability as an organization to build upon our successes, while remaining flexible and responsive to current issues. In August 2000, we fielded a Workplace Survey to all OIG employees, which obtained a phenomenal completion rate of 91 percent. At our Managers' Conference in September 2000, all OIG managers received training on how to use the survey results to develop an action plan aimed at strengthening our organization. We will use the survey to identify best practices within OIG as we continually strive to improve our performance.

As part of our strategic planning process for FY 2001, we focused on our fundamental mission to increase the efficiency and effectiveness of SSA programs and operations, while detecting, eliminating, and preventing fraud, waste, and abuse. The most difficult part of developing the plan was to determine which activities to measure and track in order to ascertain the impact of positive organizational changes which result in: a productive work force; reduced operational costs; elimination of redundant processes; improved service delivery; acquisition of the appropriate type, quantity, and amount of resources;

elimination of ineffective internal controls; and improved procedures and operational efficiencies. Each of the managers within the OIG will track, monitor, review, and revise their work plan in order to ensure that efforts lead to the achievement of the strategic goals. In a careful and methodical manner, we hope to address each of the areas that we are responsible for, and provide outstanding public service.

In closing, I am confident that OIG employees are prepared to meet the challenges that are before us with the highest level of integrity and accountability. I continue to be proud of our accomplishments and know they could not have been achieved without great effort from OIG staff, the cooperation of the Agency, and the support of Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.", with a long horizontal flourish extending to the right.

James G. Huse, Jr.

# Table of Contents

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<b>Reporting Requirements .....</b>	<b>150</b>
<b>Significant Activities .....</b>	<b>151</b>
<b>Office of the Counsel to the Inspector General.....</b>	<b>155</b>
<b>Office of Investigations .....</b>	<b>159</b>
<b>Office of Audit .....</b>	<b>171</b>
<b>Resolving Office of the Inspector General Recommendations .....</b>	<b>183</b>
<b>Reports Issued From October 1, 1999 Through September 30, 2000 ....</b>	<b>187</b>
<b>Appendices .....</b>	<b>193</b>

# Reporting Requirements

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The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the appropriate pages in this report.

Reporting Requirement		Page
Section 4(a)(2)	Review of Legislation and Regulations	156 - 157
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	151 - 182
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	151 - 182
Section 5(a)(3)	Recommendations Described in Previous Semiannual Reports on Which Corrective Actions Have Not Been Completed	205 - 208
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and the Prosecutions and Convictions Which Have Resulted	155 - 169
Sections 5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	None
Section 5(a)(6)	List of Audit Reports	187 - 191
Section 5(a)(7)	Summary of Particularly Significant Reports	171 - 182
Section 5(a)(8)	Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	183 - 184
Section 5(a)(9)	Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds Be Put to Better Use	185 - 186
Section 5(a)(10)	Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	183 - 186
Section 5(a)(11)	Significant Management Decisions That Were Revised During the Reporting Period	None
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Disagrees	209



# Significant Activities

The past year proved to be a remarkable one for our organization. Since our establishment in 1995, we have built an organization of highly skilled professionals focusing on critical issues in the Social Security Administration's (SSA) fight against fraud, waste, and abuse. Our effectiveness is evidenced by our numerous accomplishments highlighted throughout this report and by the frequency of requests for the Inspector General to testify before Congress on our critical issues. The following discusses several of our most significant activities during Fiscal Year (FY) 2000.

## Social Security Number Misuse and Identity Theft



There were two important events that brought the private and public sectors together to discuss solutions to the problem of identity theft. The first of these events was the Canadian Identity Fraud Workshop, which was held in Toronto in February 2000. Our office presented an overview to attendees representing Canada, Australia, and the United Kingdom on the impact of identity theft in the United States. Our staff discussed the role of Social Security numbers (SSN) in identity theft crimes, initiatives at the Federal and State levels to combat identity theft, and the Office of the Inspector General's (OIG) efforts to combat SSN misuse at SSA. Our staff also participated in round table discussions with the representatives to identify common problems and possible remedies.

The second event, the National Identity Theft Summit held in March 2000, hosted by the Department of the Treasury in Washington, D.C., incorporated five panels to discuss victim issues, prevention measures, and short-term remedies for both the private sector and governmental agencies. OIG co-coordinated and the Inspector General moderated the Prevention Panel. This panel was designed to give the attendees ideas and suggestions on how to prevent identity theft.

Our Office of Investigations (OI) also used existing resources to expand its SSN Misuse Task Force pilot projects. We initiated two additional pilot projects in Baltimore, Maryland, and Seattle, Washington, supplementing pilot projects already in place in Chicago, Illinois; Cleveland, Ohio; Detroit, Michigan; Milwaukee, Wisconsin; and St. Louis, Missouri. To facilitate these projects, our agents adopted lead roles in organizing and coordinating activities with Federal and State law enforcement agencies. Of particular interest this reporting period is the Detroit Task Force's partnership with the Michigan Attorney General's Office's high tech crime unit which will bring a proactive focus to SSN misuse and identity theft involving the Internet.

During FY 2000, these Task Forces opened 176 investigations under these pilots, which resulted in 116 Federal and State convictions. The following showcases two investigations in this area.

- The St. Louis Task Force identified a Missouri Department of Revenue office manager who produced counterfeit State of Missouri identification cards using fictitious names and SSNs. The man sold these identification cards to individuals who used them to commit a variety of financial-related crimes. During an undercover operation with Postal Inspectors, our agents purchased a Missouri identification card from the office manager. As a result of our investigation, he was incarcerated and ordered to pay \$200 in fines and assessments.
- The Seattle Task Force, using information developed by SSA, determined that a professor at Central Washington University had created 19 fictitious identities and applied for SSNs using these identities. He used the false SSNs to obtain State of Oregon identification cards and rent private mail boxes under the aliases. Armed with these fraudulent documents, he opened numerous bank accounts and credit card accounts. Fortunately, the task force was able to investigate and indict the professor prior to any financial losses being incurred. After pleading guilty, he was incarcerated and fined \$4,000.

SSN misuse and identity theft also received significant congressional and public interest since the SSN often plays a central role in facilitating identity theft. Because the SSN is at the core of SSA's programs and operations, we were invited to provide congressional testimony on the following occasions this year.

- Statement for the Record provided to the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding Identity Theft - March 7, 2000
- Hearing before the House Committee on Ways and Means, Social Security Subcommittee regarding Social Security Program Integrity Issues - March 30, 2000
- Statement for the Record provided to the House Committee on Ways and Means, Social Security Subcommittee regarding Social Security Number Misuse - May 9, 2000
- Statement for the Record provided to the Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations regarding the Sale of False Identification Documents Via the Internet - May 19, 2000
- Hearing before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding Social Security Numbers and Identity Theft - July 12, 2000
- Hearing before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information regarding the Emergence of Identity Theft as a Law Enforcement Issue in California - August 30, 2000

To strengthen penalties for SSN misuse and identity theft crimes, we proposed to Congress and SSA that they expand the Civil Monetary Penalty (CMP) program to include SSN misuse and identity theft penalties. We expect that SSN misuse and identity theft allegations and investigations will increase and, as such, legislative remedies need to be enacted.

### **Critical Infrastructure Division**

In response to the Presidential Decision Directives 62 (Terrorism), 63 (Critical Infrastructure Protection), and 67 (Continuity of Government), OIG established the Critical Infrastructure Division (CID). Members of CID are comprised of both audit and investigative professionals. CID worked with SSA's System Security Officers and National Computer Center staff to define an intrusion response policy that includes OIG notification and investigation, if warranted. As SSA becomes more dependent on electronic data, special consideration must be given to protect the transmission, storage, and processing of sensitive data from cyber and/or physical threats. We recognize that this mission goes far beyond our traditional audit and investigative roles.

As SSA embraces "electronic service delivery," many of its functions will be available on the Internet. With this transition we expect that the occurrence of Internet fraud, and other criminal activity conducted in an automated environment, will increase. We established the Electronics Crime Team within CID to meet this challenge. This group provides technological assistance to our investigators, as well as investigative assistance to the Agency in resolving intrusions into SSA's network computer systems.

### **Representative Payees**



SSA provides benefits to the most vulnerable members of our society – the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those individuals judged incapable of managing or directing their own benefits. Representative payees receive and manage payments on behalf

of these individuals. For the most part, representative payees are honest individuals and true caregivers. However, there are some people who have taken advantage of their position as representative payees of these vulnerable individuals. Because of this, it is imperative that SSA has appropriate screening safeguards and monitoring plans in place to ensure that representative payees meet their responsibilities.

Representative payee fraud is a major investigative focus. OI responds to allegations involving all types of representative payees from individuals to large-scale organizations representing hundreds of individuals. Our most significant case this year involved the investigation of the Aurora Foundation, Inc., a high-volume, fee-for-service, organizational representative payee serving over 140 disabled individuals in West Virginia. In partnership with the Federal Bureau of Investigation (FBI), our investigation revealed that the founder and president of the foundation embezzled over \$300,000 from April 1995 through May 1999. He was incarcerated and ordered to pay restitution of \$303,314 to SSA and \$1,360 to the Department of Veterans Affairs.

Our Office of Audit's (OA) Quick Response and Fraud Liaison Team, which responds to requests from the White House, Congress, SSA management, and SSA's Advisory Board, was also actively involved in this area. Because of the widespread media play and intense congressional concern about the Aurora Foundation, Inc.,

the team amassed information from OI and SSA for use by the Inspector General in the following two congressional hearings.

- Hearing before the Senate Special Committee on Aging regarding the Organizational Representative Payee Program - May 2, 2000
- Statement for the Record provided to the House Committee on Ways and Means, Social Security Subcommittee regarding the Representative Payee Program - May 4, 2000

We also began performing independent on-site audits of a limited number of representative payees. We expect to complete these audits before the end of FY 2001. These audits will identify those problem areas that need to be addressed to ensure that individuals' benefits are being managed in a sound fiduciary manner. Our work has contributed to SSA developing new strategies in the selection, monitoring, and oversight of representative payees.

## Cooperative Disability Investigations Teams

In conjunction with SSA's Office of Disability, we administer the Cooperative Disability Investigations (CDI) teams. These teams investigate suspicious disability claims under the Social Security and Supplemental Security Income (SSI) disability programs. These teams are comprised of OIG investigators, State law enforcement officers, as well as SSA and State Disability Determination Services (DDS) personnel. These teams use their combined resources and talents to investigate suspicious initial and continuing claims of disability referred to the teams by DDS offices. The teams investigate the case to either verify or refute the suspicion. If verified, the teams provide SSA with sufficient evidence to deny benefits and assess an overpayment, if applicable.

In the fourth quarter, we added 3 additional CDI teams to bring the total number of teams to 11. These teams are currently operating in the following States: California, Florida, Georgia, Illinois, Louisiana, Missouri, New Jersey, New York, Oregon, Texas, and Virginia. The following table shows a statistical breakdown of the CDI teams' accomplishments for FY 2000.

	Allegations Received	Confirmed Fraud Cases	SSA Recoveries & Restitution	SSA Savings*	Non-SSA Savings*
<b>California</b>	479	189	\$26,604	\$11,157,588	\$8,029,554
<b>Florida</b>	0	0	\$0	\$0	\$0
<b>Georgia</b>	302	166	\$36,082	\$9,507,927	\$3,470,283
<b>Illinois</b>	197	24	\$89,044	\$937,885	\$1,290,000
<b>Louisiana</b>	217	48	\$8,506	\$2,586,905	\$449,500
<b>Missouri</b>	154	86	\$25,507	\$5,343,015	\$14,400
<b>New Jersey</b>	68	10	\$31,205	\$277,430	\$0
<b>New York</b>	214	115	\$127,347	\$5,447,949	\$5,867,730
<b>Oregon</b>	178	75	\$2,578	\$4,342,208	\$1,702,825
<b>Texas</b>	28	1	\$0	\$30,720	\$840
<b>Virginia</b>	4	0	\$0	\$0	\$0
<b>TOTALS</b>	<b>1,841</b>	<b>714</b>	<b>\$346,873</b>	<b>\$39,631,627</b>	<b>\$20,825,132</b>

\*SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. Non-SSA savings are also projected over 60 months whenever another governmental program withholds benefits as a result of CDI investigations, using estimated or actual benefit amounts documented by the responsible agency.



# Office of the Counsel to the Inspector General

The Office of the Counsel to the Inspector General (OCIG) provides legal advice and counsel to the Inspector General and the various components of OIG. OCIG supports OI and OA by identifying and reviewing legal implications and conclusions from audit and investigative findings. This office is also responsible for administering the CMP authorities under sections 1129 and 1140 of the Social Security Act.



## Section 1129 of the Social Security Act – False Statements

The Commissioner of Social Security has delegated to the Inspector General the authority to impose CMPs against violators of section 1129 of the Social Security Act. Section 1129 prohibits persons from making false statements or representations of material facts in connection with obtaining or retaining benefits or payments under titles II or XVI of the Act. After consultation with the Department of Justice, OIG is authorized to impose penalties of up to \$5,000 for each false statement or representation, as well as an assessment of up to twice the amount of any resulting overpayment.

This program continues to grow as our investigative organization matures. The following table outlines the results for these activities this FY.

FY 2000 Section 1129 Statistics	
Cases Referred From OI	197
CMP Cases Initiated	102
CMP Cases Closed	126
CMP Penalties and Assessments	\$1,262,071
Number of Hearings Requested	4

The following cases highlight some of our most significant work in this area.

- One of our employee investigations proved that a benefit authorizer had stolen more than \$328,000 while working at SSA. Although he pleaded guilty to wire fraud, he was only sentenced to 4 months incarceration and ordered to pay restitution of \$50,000. After a review of the case file, we determined that he made a total of 93 false statements and we imposed a CMP penalty and assessment of \$908,234.
- A mother, serving as representative payee for her daughter, made numerous false statements to SSA to conceal her daughter's death which occurred in 1994. As a result, she improperly collected SSI benefits from August 1994 through March 1998 totaling \$20,656. On January 20, 2000, we imposed a penalty and assessment of \$62,180. This consisted of twice the amount of overpayment resulting from her false statements occurring after October 1, 1994, plus an additional \$5,000 for each of those false statements.
- A spouse acting as representative payee for his wife began collecting disability benefits on her behalf after his wife sustained serious injuries in an automobile accident. When the couple divorced and the wife returned to work, the ex-husband continued to tell SSA that he was married and that his wife did not work while continuing to receive her benefits. This resulted in a \$57,361 loss to the Government. He pleaded guilty to one felony count of fraudulent concealment of a material fact in violation of Title 42 United States Code section 408(a)(4). He was only ordered to pay \$657 of court ordered restitution. After initiating a CMP action, we obtained a \$65,000 settlement.
- In April 1997, a mother applied for Social Security benefits for her son, claiming that he lived with her. The mother also applied for and became her son's representative payee. Based on an allegation, we initiated an investigation and found that she used the son's benefits for herself. As a result of her false statements, she received and misused \$5,631 in benefits. After we initiated a CMP action, she submitted \$8,131 in settlement of the CMP claim.

## Section 1140 of the Social Security Act – Misleading Advertising

Section 1140 of the Social Security Act prohibits the use of SSA’s program words, letters, symbols, or emblems in advertisements or other communications in a manner that falsely conveys approval, endorsement, or authorization by SSA. Each misleading communication subjects the violator to a maximum \$5,000 penalty.

The following table shows section 1140 case activity for this FY.

FY 2000 Section 1140 Statistics	
<b>Complaints Received</b>	284
<b>New Cases Opened</b>	39
<b>Cases Closed</b>	40
No Violation	28
Voluntary Compliance	8
Settlement Agreement (# of cases/amount)	4 / \$1,189,500
Penalty/Court Action (# of cases/amount)	0 / 0
<b>Number of Hearings Requested</b>	0

Due to our aggressive strategies against misleading advertisers, we are receiving fewer complaints of misleading SSA-related solicitations. This demonstrates that full implementation of the CMP Program is accomplishing its objective – to prevent and deter fraud. In cases where companies are not violating section 1140, but may be violating Federal or State laws enforced by other entities, we refer the complaints to the appropriate agency for action. The following cases are examples of our work in this area.

- Senior Direct, Inc., under the name “Regional Processing Center,” sent death benefit insurance “lead card” mailings to senior citizens that appeared to be from or related to SSA. When a senior citizen would return the “reply card,” a salesperson would try to sell an insurance policy to the individual. We entered into a settlement agreement with Senior Direct, Inc., whereby the company agreed to pay a \$17,500 penalty.

- National Processing Center, also profited from death benefit insurance “lead card” mailings sent to senior citizens. Shortly after imposing a \$15,000 CMP on the owner, our investigators found the owner picking up “reply cards” for similar misleading mailers using a different business name and post office box. The company owner never appealed the \$15,000 CMP and we referred the matter to SSA for collection. We continue to look into various mailers that use SSA’s good name or symbols to generate insurance leads.
- We also shut down Newlywed Document Service Corporation and Marriage Notification Service of America, two Nevada corporations that were defrauding brides across the country through the misuse of SSA’s name. With the investigative assistance of OI, and with the cooperation of the U.S. Attorney for the District of Nevada and SSA’s Office of the General Counsel, we obtained a Federal injunction to stop the mailing of misleading advertisements and to freeze the assets of both companies and its principals. A settlement was eventually reached where the owners of the two companies were required to terminate the operations of the two companies and to pay a \$60,000 CMP.
- A lead card company in California, under the name CMIS, was mailing misleading solicitations that gave the impression that the mailings were endorsed, approved, or affiliated with SSA. The mailings were directed towards senior citizens and if the senior returned the mailer’s reply card, the reply card was used as an insurance lead. As a result of our cease and desist letter, the company agreed to drastically modify its mailings. We will, of course, monitor the company’s mailings to ensure future compliance.

## Legislative Proposal and Regulatory Comment Reviews

The Inspector General Act of 1978, as amended, authorized the Inspector General to review existing and proposed legislation and regulations relating to its agency’s programs and operations. During FY 2000, we reviewed various legislative proposals related to SSA and fraud, waste, and abuse. During the course of the review, we sought to ensure that the potential for fraud and abuse in SSA programs was adequately addressed. We also commented on legislative options to address specific areas of concern regarding identity theft.

Specifically, we reviewed 13 legislative proposals. One such legislative proposal was the Identity Theft Prevention Act of 2000 introduced in the Senate as S. 2328. This bill extends CMP authority to impose penalties against representative payees who convert benefits for

their own use, persons who use an SSN obtained through false information, and persons who use SSNs that they know are not the true SSNs assigned to them.

We also reviewed numerous regulations that affect SSA. One was the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulations. The Department of Health and Human Services' (HHS) proposed regulations to implement sections 261 through 264 of HIPAA, Public Law (P.L.) 104-191. The regulations implement privacy and disclosure standards. The types of information covered essentially include all medical information and the proposed regulations impact the ability to obtain medical information in SSA disability cases. Essentially, no disclosure may be made without patient consent, except as provided in the proposed regulations. We submitted comments to SSA which were included in its comments to HHS. We also participated in both an interagency group and an SSA group to review the 50,000 plus responses to the proposed regulations.

OCIG has also been a major participant in the representative payee reform debate. The Inspector General's May 2, 2000, testimony, before the Senate Special Committee on Aging, revealed several limitations in applying CMP remedies to representative payees. Specifically, the Inspector General noted that certain types of benefit "conversion" cases, where representative payees steal benefit payments directly from a beneficiary, often go unpunished. We helped to reveal this problem, and to prepare common sense solutions to close this significant loophole.

During this reporting period, we played a major role in the fight against identity theft. Working closely with OI and OA, we identified several important potential solutions to help fight this growing problem. For example, we recommended the expansion of CMP authorities for the improper sale or misuse of an SSN. Additionally, we helped to negotiate a Memorandum of Understanding to improve our ability to cooperate with external law enforcement entities that require SSN-related infor-

mation. Further, we supported OI in its quest to secure appropriate tools to fight identity theft. Specifically, we provided extensive assistance in OI's effort to secure permanent law enforcement authority. Such authority will enhance OI's ability to fight SSN abuse across a broad spectrum of Federal programs.



At the request of Senator Feinstein of California, the Deputy Inspector General and several of our attorneys traveled to California to attend an on-site hearing of the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information. This identity theft hearing was conducted in conjunction with the Los Angeles County Sheriff's Department, in an effort to measure investigative support for identity theft projects. Topics covered included pooling of investigative resources to fight identity theft, and the need for comprehensive legislation to fight the identity theft problem. In response to the hearing, OIG agreed to participate in a West Coast identity theft project.

OCIG also partnered with several external entities to help educate the public on identity theft issues. In addition to assisting the Department of the Treasury in its Identity Theft Summit in March 2000, we also began planning for a 1-day workshop in Washington, D.C., on identity theft prevention. The workshop involved over 30 speakers from the public and private sectors. The workshop's goal was to provide the private sector, privacy rights advocates, and representatives from Congress the chance to discuss identity theft prevention in an open forum. We published notice of this workshop in the Federal Register in August of this year, at 65 F.R. 51049 (August 22, 2000). The workshop took place on October 25, 2000, and will be reported on in our next semiannual report.





# Office of Investigations

The Office of Investigations, which is comprised of 5 Headquarters divisions and 10 field divisions nationwide, conducts and coordinates investigative activities related to fraud, waste, and abuse in SSA's programs and operations. It investigates alleged wrongdoings by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. The office frequently conducts joint investigations with other Federal, State, and local law enforcement agencies.

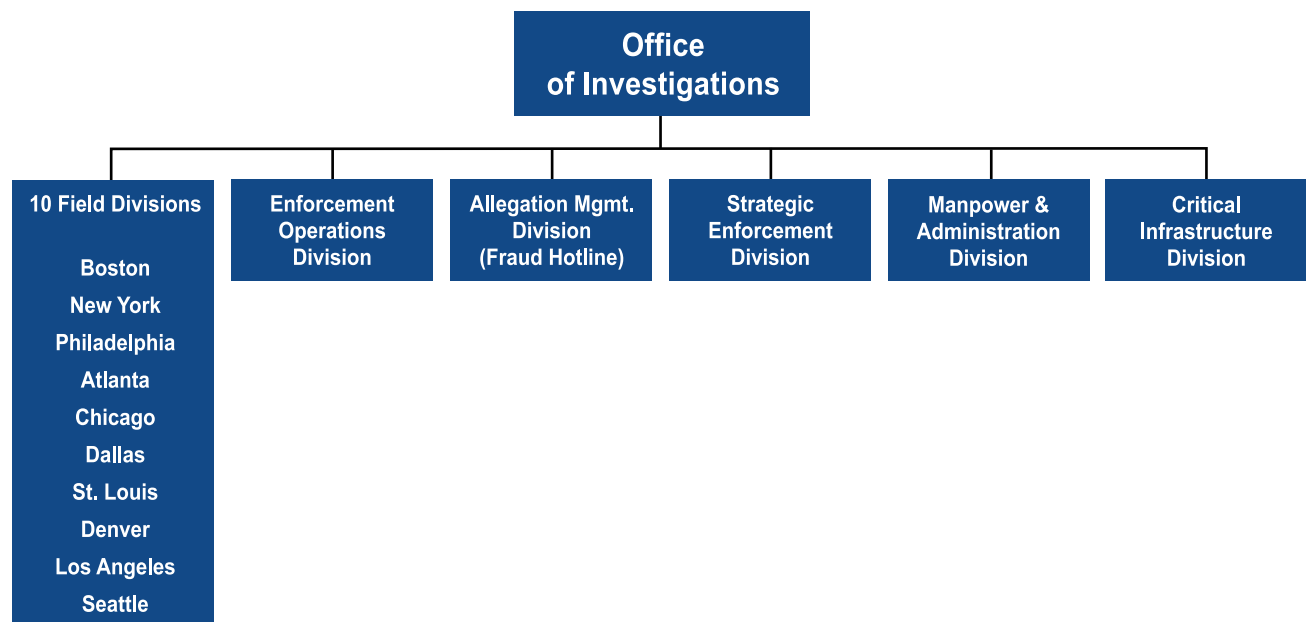


One of the Headquarters divisions, the Allegation Management Division (AMD), operates the SSA Fraud Hotline, which provides an avenue for reporting fraud, waste, and abuse within SSA's programs and operations. During FY 2000, AMD Program Specialists answered 90,159 telephone calls. In addition to receiving allegations by telephone, AMD also receives allegations via regular mail, facsimile, and electronic mail. As a result of implementing a new tracking system on

April 1, 2000, we determined that AMD received 15,801 pieces of correspondence during the second half of FY 2000.

As AMD receives allegations, they are carefully reviewed to determine the most appropriate course of action. Allegations come in from a number of sources including other law enforcement agencies, SSA employees, Congress, private citizens, and public agencies. These allegations may involve fraud within SSA programs or they may fall within the jurisdiction of another law enforcement agency. Allegations may also affect other components of OIG, or they may involve other program or policy components within SSA. Whatever the allegation, AMD is responsible for making a timely referral of each and every allegation to the proper location for appropriate action.

In addition to processing allegations, AMD ensures that the public receives useful information about SSA and OIG when appropriate. Each complainant who submits an allegation by correspondence receives a written response from the Director. These responses help to build the public's trust by reassuring them that we received their allegation and appreciate their efforts in reporting fraud, waste, and abuse within our Government programs. For those allegations addressing identity theft crimes, AMD goes the extra mile and provides fact sheets and brochures suggesting security measures each individual can take to protect themselves from SSN misuse. This type of feedback not only reassures



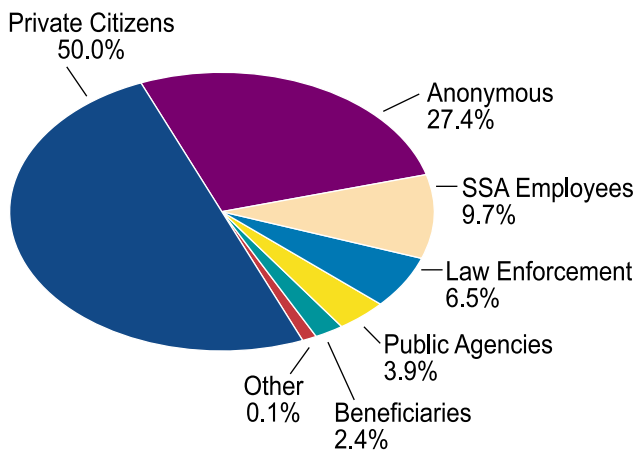
the public that their concerns have been heard, but it serves as a proactive means for preventing the furtherance of criminal activity.

During FY 2000, over 50 percent of the allegations we received involved SSN misuse and identity theft. Since the passage of the Identity Theft and Assumption Deterrence Act of 1998 (P.L. 105-318), we have taken a proactive approach in the investigation of these crimes and AMD has played a major role in this endeavor. This year, we entered into a Memorandum of Understanding with the Federal Trade Commission's (FTC) Bureau of Consumer Protection to refer those SSN misuse and

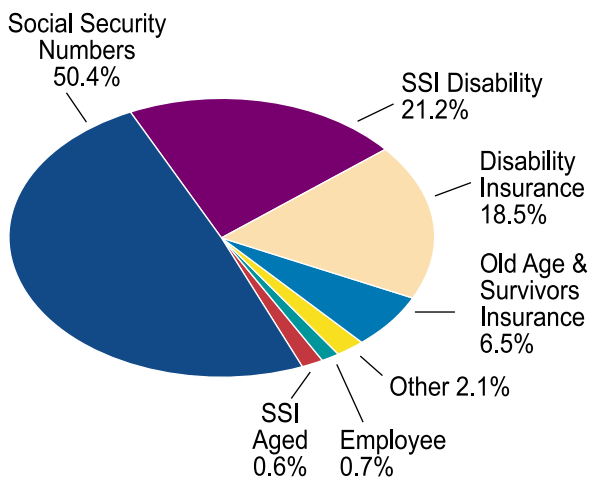
identity theft allegations received by AMD to the FTC Identity Theft Data Clearinghouse, which is the FTC's data base of identity theft complaints. These allegations are included in a national data base that is shared with other law enforcement agencies and approved users. The sharing of these allegations will not only improve our ability to assist victims, but it will also improve the law enforcement community's effort in the detection of individuals committing identity theft crimes.

The following tables and charts summarize our investigative statistics for FY 2000.

### Source of Allegations



### Allegations by Category



Monetary Achievements	SSA Funds	Non-SSA Funds*
<b>Scheduled Recoveries</b>	\$12,722,135	\$1,172,261
<b>Fines</b>	\$2,447,442	\$722,200
<b>Settlements/Judgments</b>	\$1,342,099	\$6,666,100
<b>Restitution</b>	\$13,526,283	\$63,573,805
<b>Estimated Savings</b>	\$151,060,492	\$29,119,743
<b>TOTALS</b>	<b>\$181,098,451</b>	<b>\$101,254,109</b>
<b>Grand Total</b>	<b>\$282,352,560</b>	
*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of our investigative work.		

Investigative Statistics	FY 2000
<b>Allegations Received</b>	92,847
<b>Cases Opened</b>	8,262
<b>Cases Closed</b>	8,051
<b>Arrests/Indictments</b>	2,537
<b>Total Convictions</b>	2,604
Criminal	1,225
Civil/CMP	45
Illegal Alien Apprehensions	283
Fugitive Felon Apprehensions	1,051

## *Investigative Case Highlights*

Our work is focused on the following seven areas of SSA's programs and operations that have potential for widespread fraud and abuse.

- Employee Fraud
- Disability Fraud
- SSI Eligibility Fraud
- Institutionalization
- Payments Made to Deceased Individuals
- SSN Misuse
- Representative Payees

### **Employee Fraud**

Employee fraud remains an investigative priority even though it comprises the fewest number of allegations and cases.

One employee working alone or with co-conspirators can corrupt the computer system, cause financial losses to the Trust Fund, coerce claimants and other employees, and undermine the integrity of SSA's programs. During FY 2000, we opened 85 new employee investigations, closed 112 employee investigations, and took judicial actions that resulted in the conviction of 31 SSA employees.



The following cases highlight our investigative efforts in this area.

#### *Sixteen Vendors Not Paid for Services*

Based on a referral from SSA's Office of Hearings and Appeals (OHA) in Norfolk, Virginia, our Philadelphia Field Division and the FBI conducted a joint investigation of an SSA employee who filed fraudulent travel vouchers. Our investigators discovered that the employee submitted documentation with her travel vouchers indicating that she paid several vendors for services. Our investigators established that even though she received the services, claimed the expenses, and was reimbursed, she never paid 16 vendors a total of \$48,670. Our investigation also established that she committed bankruptcy fraud. After failing to appear at three sentencing hearings, a judge issued an arrest war-

rant, and she was located and held in custody until her sentencing. She was finally incarcerated and ordered to pay restitution of \$48,670 to the vendors.

#### *Employee Causes More Than 125 Social Security Cards to Be Issued Illegally*

Our Chicago Field Division conducted a joint investigation with the FBI and uncovered an SSA employee who caused more than 125 Social Security cards to be issued for another individual. Our investigation traced some cards to other illegal activities including credit card and bank fraud schemes, illegal work activities, and to aid a fugitive fleeing justice. The employee who had worked for Social Security for over 11 years admitted to her illegal activities and was incarcerated.

#### *SSA Employee and Municipal Government Employee Conspire With 20 Individuals to Defraud SSA*

Our New York Field Division, the FBI, and the U.S. Postal Inspection Service investigated an SSA employee and a co-conspirator. The employee's co-conspirator was an employee of the Las Piedras Municipal Government, Las Piedras, Puerto Rico. The 2 conspired with 20 individuals to illegally obtain approximately \$369,085 in Social Security benefits. The investigation revealed that the Las Piedras employee recruited the 20 individuals to file fraudulent applications and provided some of the individuals with fake baptismal certificates. The SSA employee illegally accessed SSA's system to change the individuals' dates of birth and then processed the benefit applications. The employee and his co-conspirator received over \$70,000 for their services from the 20 individuals. The two individuals were sentenced to home detention and supervised release.

#### *Administrative Law Judge Sentenced*

Based on a referral from the Special Counsel Staff, OHA in Falls Church, Virginia, our Philadelphia Field Division investigated an administrative law judge who applied for survivor's benefits for her daughter after the death of her ex-husband, who wasn't the child's father. After initially being denied benefits, she requested a reconsideration hearing and wrote on the request that she was not divorced from her husband. She also lied under oath at the hearing when she stated that she was not divorced from her husband, when in fact she was. Initially, she was awarded \$7,164 in retroactive benefits for her daughter and \$803 a month in continuing benefits. As a result of our investigation, she was sentenced

to imprisonment, fined \$30,000, and ordered to perform 200 hours of community service. This matter is now under appeal.

### ***Employee Incarcerated and Ordered to Pay \$435,895 in Restitution***

Our New York Field Division, along with the U.S. Postal Inspection Service and U.S. Secret Service, conducted a joint investigation of an SSA employee based on information received from Travelers Bank. The bank indicated that nine replacement credit cards were stolen enroute to the proper credit cardholders and activated. The investigation revealed that an SSA employee accessed SSA's system and obtained personal information about the actual cardholders, which was subsequently used to activate the stolen cards. Investigators established that the employee was associated with activating 63 credit cards resulting in over \$400,000 in losses to Travelers Bank and four other financial institutions. The employee was incarcerated and ordered to pay restitution of \$435,895 to the defrauded financial institutions.

## **Disability Fraud**



Disability fraud allegations represent 39.7 percent of the allegations received by our office. Instances of disability fraud are reported to, and investigated by, our field divisions nationwide. As highlighted in the

Significant Activities section of this report, OIG, in conjunction with SSA's Office of Disability, administers the CDI teams. SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months.

The following section highlights CDI investigative cases, as well as other investigations conducted by our field divisions.

### **CDI Case Highlights**

The Georgia CDI team investigated a Georgia woman who concealed work activity in order to file a false initial claim for Social Security and SSI disability benefits. The woman claimed she was unable to work due to

mental illness, but the results of the DDS examination suggested otherwise. CDI investigators determined that she was employed as a supervisor at a fast food restaurant and developed sufficient information to refute her alleged mental impairment. As a result of the team's investigation, SSA denied her claim.

The Louisiana CDI team investigated a Louisiana man who faked multiple disabilities when filing an initial claim for Social Security and SSI disability benefits. The man claimed he was unable to work due to seizures, blurred vision, neck and back pain, and leg problems that required the use of a cane. The man made inconsistent statements and had no medical documentation to support his claims. Consequently, his examiners referred the case for investigation. CDI investigators determined that the man had received extensive physical therapy that left him able to work, observed him walking without a cane or any apparent impairment, and located witnesses who refuted the man's claims. SSA denied his application for benefits.

The Illinois CDI team investigated a man who faked mental retardation in order to collect more than \$34,000 in SSI disability benefits since 1979. The man claimed he was unable to work or to function independently because of the impairment, but examiners noted multiple inconsistencies during a review of his record. Investigators determined that the subject independently manages his own financial affairs, functions well on his own, and does not meet the criteria for mental retardation. SSA stopped his benefits.

The New York CDI team investigated a woman who made false statements to support an initial claim for SSI disability benefits. The woman alleged that she was unable to work due to a severe psychological disability that prevented her from doing household chores, shopping, driving, having contact with others, or going outside alone. CDI investigators observed the claimant during an eligibility review, at which she clutched a stuffed animal and was mute as her daughter answered questions for her. Surveillance later the same day showed her conversing, traveling alone, driving, and visiting a social club. SSA denied the claim.

The California CDI team investigated a man who faked mental impairments in order to collect more than \$43,400 in SSI disability benefits since 1996. The man claimed he was housebound and unable to drive. He also claimed that he could not work or perform structured tasks due to post-traumatic stress disorder, major depression, a head injury, diminished hearing, and asthma. During a review, examiners became suspicious when they discovered discrepancies in his medical

records and referred the case for investigation. CDI investigators subsequently observed the man driving a truck and engaging in manual labor at both residential and commercial sites. SSA stopped his benefits.

The Oregon CDI team investigated a man who faked physical impairments to file a false initial claim for Social Security disability benefits. The man claimed he was unable to work due to neck, back, and associated pain and that he was unable to perform even the simplest daily chores and activities. Examiners suspected fraud and CDI investigators subsequently videotaped the subject bending, lifting, squatting, and engaging in multiple work activities that were inconsistent with his alleged impairments and his statements to SSA. SSA denied his claim.

The Missouri CDI team investigated a man who faked mental impairments in order to file a false claim for disability benefits. The man, assisted by a friend, claimed he was unable to work due to a mental condition that left him with the “mind of a child” and unable to perform daily activities or to speak, except to himself and a doll. Examiners referred this case to investigators after they became suspicious of the man’s bizarre behavior and the lack of a previous medical history of this condition. Investigators later observed him engaged in normal conversation with others, and he later admitted to investigators that he faked his impairments for financial gain. SSA denied his claim.

The New Jersey CDI team investigated a woman who concealed work activity in order to collect over \$30,000 in disability benefits since 1995. The woman claimed she was unable to work due to a back injury she sustained while lifting boxes of pillows at work. The woman said she could not walk without using a walker, was unable to lift items, and could not stand or sit for extended periods of time. She also stated that she could not drive or sit in a car for more than 45 minutes and experienced other severe limitations in her daily activities. Investigators placed her under surveillance, and on multiple occasions observed her selling collectibles at flea markets, driving, lifting and carrying boxes on her shoulders, and jumping over obstacles. They also saw her loading and unloading merchandise from her van, without any apparent difficulty or benefit of assistive devices. SSA stopped her benefits.

## **Other Disability Investigations**

### ***Father and Son Convicted for Disability Fraud and Conspiracy***

Based on a Hotline referral, our Los Angeles Field Division conducted an investigation of a father and son who submitted false disability applications to SSA, stating that the father had become mentally disabled and stopped working in October 1992. The investigation revealed that the father worked as a salesman from 1993 through 1999; took acting classes in Beverly Hills, California, from 1993 through 1996; maintained a residence in North Carolina; and had drivers’ licenses in the States of California and Texas. The investigation also found that the father “laundered” his earnings through a trust account in the State of Nevada to avoid showing that he actually “earned” any money. The father was incarcerated and the son was sentenced to probation. Both defendants were ordered to pay restitution of \$73,116 to SSA.

### ***Psychotherapist Works Full-Time While Collecting Disability Benefits***

Based on a referral from the Danbury, Connecticut, SSA Office, our Boston Field Division investigated an individual who was receiving Social Security disability benefits while working full-time as a psychotherapist. The investigation established that the man, with the assistance of his office manager, used various methods to conceal his income from SSA for 9 years. The office manager deposited the man’s income into numerous personal and business accounts that she had opened in her name only. They also made false statements to SSA during three different continuing disability reviews (CDR). The man received probation and was ordered to pay restitution of \$72,820 to SSA. The office manager received home detention and probation, and as part of her plea agreement, she paid full restitution of \$72,820 to the court. The two individuals were ordered to pay total restitution of \$145,640.

### ***Man Fraudulently Receives Benefits for Himself and Two Stepchildren***

Based on a referral from the Monroe, Louisiana, SSA Office, our Dallas Field Division investigated a man who intentionally failed to notify SSA that he was working in order to continue receiving his Social Security disability benefits. He also collected auxiliary benefits for two ex-stepchildren that were no longer living with him. In total, he received more than \$45,000 in

benefits to which he was not entitled. He received home detention and was ordered to pay restitution of \$39,244 to SSA.

### ***Man Works Under an Alias to Receive Benefits for 12 Years***

Our Philadelphia Field Division conducted an investigation of a Virginia man who was receiving disability benefits and working under an alias and an invalid SSN. When we interviewed the man, he denied that he was the beneficiary. The investigation confirmed that the individual was the beneficiary and that he worked under the assumed identity from 1987 to 1999 while receiving Social Security disability payments. The man was incarcerated and ordered to pay restitution of \$136,475 to SSA.

## **SSI Eligibility Fraud**



We established the SSI Eligibility Fraud Initiative to identify ineligible SSI recipients, stop fraudulent payments, recover monies, and initiate administrative actions and criminal investigations when appropriate. In FY 2000, the primary theme driving the project continued to be focused on identifying SSI recipients who may not reside in the United States, may be deceased, or may

be fictitious – and who have not had an SSA face-to-face interview within 1 year.

During FY 2000, we conducted a project in New York in partnership with SSA that selected a sample of 15,912 SSI recipients for evaluation. Typically, this evaluation involved SSA conducting face-to-face interviews of recipients to determine their continued eligibility for SSI benefits. We reviewed all project results for potential criminal and civil case development. The project identified 2,437 potential subjects who may have been overpaid or should have had their benefits suspended or terminated, and 135 subjects who were deceased. We also sampled 7,945 recipients in New Jersey in which we identified another 1,745 potential subjects.

The estimated fraud losses uncovered during the New York and New Jersey projects amounts to \$6,859,339. The project resulted in a projected savings of

\$38,351,014 because some individuals were found to be ineligible for benefits. We are pursuing criminal cases as deemed appropriate in conjunction with the U.S. Attorney's Office.

In addition to this project, the following cases highlight our investigative work in this area.

### ***Mother and Four Sons Conspire to Defraud SSA for Over 22 Years***

Our Los Angeles Field Division investigated a woman who filed false applications for SSI benefits for each of her four sons from 1977 to 1993. Each of the sons, faking similar disabilities of retardation and chronic brain disorder, conspired with their mother to illegally obtain these benefits. For over 22 years, the mother coached each son to act disabled when visited by various county welfare employees or when they visited SSA's offices. Our investigation found that none of the sons were disabled. All were married, had children, and led otherwise normal lives with one exception: none of the sons had any record indicating a work history. The woman and her four sons were all incarcerated and ordered to pay restitution to SSA and State/local agencies totaling \$532,633 for their parts in this long-term scheme to fraudulently receive SSI disability and State benefits.

### ***Woman Fraudulently Collects Over \$108,540 in SSI and Food Stamp Benefits***

Our New York Field Division and the New York City Bureau of Investigations conducted a joint investigation of a woman who collected SSI and food stamps under two identities. The investigation determined that the woman collected SSI and food stamps under her true identity, as well as a second identity from February 1992 until June 1997. The woman received probation and was ordered to pay restitution of \$108,540 to SSA and \$6,888 to New York State.

### ***Woman Sentenced for Concealing Assets***

The Seattle Field Division investigated a case where an individual received SSI benefits from August 1989 through April 1998 based upon her claims of having no resources or income. The investigation revealed that she actually owned two houses in addition to her residence, a motor home, and about \$90,000 in stocks during the time she received SSI benefits. She was incarcerated and ordered to pay restitution of \$44,147 to SSA and \$61,404 to the State of Idaho Welfare Program.

### ***Recipient Failed to Report Marital Status***

Our Chicago Field Division investigated an SSI recipient who failed to report to SSA that she was married in order to conceal her husband's income. She also made false statements to SSA in order to continue receiving SSI benefits. The U.S. Marshals Service (USMS) and our investigators arrested her, and an additional warrant was executed for her failure to appear for sentencing. She eventually received home detention and was ordered to pay restitution of \$29,765 to SSA.

### ***Institutionalization***



In most instances, the Social Security Act prohibits SSI payments to individuals who are confined or reside in a public institution for a full calendar month. The Act also prohibits Social Security payments to

individuals confined in a penal institution for more than 30 days and those individuals confined by court order to an institution at public expense in connection with specific verdicts or findings in certain criminal cases.

In addition, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act) amended title XVI of the Social Security Act to make individuals ineligible to receive SSI payments for any month during which the recipient is fleeing to avoid prosecution for a felony, fleeing to avoid custody or confinement after conviction for a felony, or violating a condition of probation or parole imposed under Federal or State law. Additionally, the law requires that SSA furnish, upon written request, certain information pertaining to these fugitive felons to Federal, State, and local law enforcement officials.

Due to this change in the law, we initiated the Fugitive Felon Project with other Federal, State, and local law enforcement agencies. During FY 2000, the project resulted in the following.

The following cases highlight selected investigative work in this area.

<b>FY 2000 Fugitive Felon Statistics</b>	
<b>Fugitives Identified</b>	13,817
<b>Fugitives Arrested</b>	1,031
<b>Overpayments</b>	\$20,894,605
<b>Estimated Savings</b>	\$34,474,414

### ***Man Conceals Brother's Incarceration to Continue Receiving Benefits***

Our Atlanta Field Division conducted an investigation of a representative payee who failed to report to SSA that his brother, a disability beneficiary, was incarcerated. The investigation established that the beneficiary was incarcerated for a felony crime from June 1991 through February 1996. The representative payee continued to receive and negotiate his brother's SSA benefits totaling \$20,438. The representative payee received home detention and was ordered to pay restitution of \$20,438 to SSA.

### ***Alleged Rapist Arrested Through National Data Match***

Our New York Field Division arrested a man who had outstanding Federal and State arrest warrants for the alleged rape and aggravated molestation of a child. He was located through a national data match that compares the names and identifying information of current SSI recipients with Federal fugitive felon information. The subject was arrested and remanded to the USMS to be transported back to the State of Georgia. As a result of our efforts, SSA suspended his SSI benefits.

### ***Investigators Aid in Arrest of Violent Offender***

Our New York Field Division arrested a man in October 1999 who was a violent offender wanted in New York State for burglary in the second degree. Our investigators worked together with State investigators and determined that the man was receiving SSI benefits. He was arrested as he left the Federal building in Syracuse following an appointment with SSA officials and was subsequently turned over to local authorities. SSA stopped the man's SSI benefits.

## Payments Made to Deceased Individuals

We frequently receive allegations about individuals who are illegally receiving Social Security payments of deceased individuals. Because of the frequency of these referrals, we implemented projects to identify unreported deaths and those individuals who negotiate payments issued to deceased individuals. The following cases highlight some of our work related to this area.



### *Son Conceals Father's Death for Over 2 Years*

Based on a referral from the Murray, Utah, SSA Office, our Denver Field Division investigated a man who continued to receive and spend a total of \$25,233 in Social Security benefits intended for his deceased father. From August 1995 until September 1997, he continued to deceive SSA about his father's death after SSA attempted to contact his father. The man, an employee of a major Utah bank, was ordered to pay three times the amount of Social Security funds deposited into his account as a result of his false claims. He was also ordered to pay a civil penalty of \$10,000, bringing the total he was ordered to repay to \$86,019.

### *Pennsylvania Woman Sentenced for Fraudulently Receiving \$109,622 in Benefits*

Our Philadelphia Field Division conducted an investigation of a woman who failed to report the death of a beneficiary, who was her housemate, and fraudulently received \$109,622 in benefits. The Norristown, Pennsylvania, SSA District Office referred the case in 1999 after unsuccessful attempts to contact the beneficiary during a review of the case. Our investigation determined that the beneficiary died in 1986. The woman was ordered to pay restitution of \$109,622 to SSA.

### *Woman Continues to Collect Deceased Mother's Benefits for Over 7 Years*

Based on a referral from the Kingsport, Tennessee, SSA Office, our Atlanta Field Division investigated a woman who failed to notify SSA of her mother's death in March 1983. She continued to collect her mother's Social Security payments for her own use after her mother died. The woman was incarcerated and ordered to pay restitution of \$184,859 to SSA.

### *Man Negotiated Deceased Roommate's Check*

Our Philadelphia Field Division conducted an investigation after a concerned citizen notified SSA's Anacostia Field Office in Washington, D.C., that a disability beneficiary died and his former roommate was negotiating his Social Security checks. Our investigation revealed that the beneficiary died in April 1995. The roommate used the deceased individual's identification documents to cash the beneficiary's checks from April 1995 to February 1999. He received home detention and was ordered to pay restitution of \$28,445 to SSA and \$8,249 to a check-cashing establishment.

## SSN Misuse

Since the passage of the Identity Theft and Assumption Deterrence Act of 1998, we have accelerated our



focus on SSN misuse investigations due to the expanded use of the SSN as an identifier. This expanded use provides the opportunity for unscrupulous individuals to misuse SSNs to their own advantage. The following cases highlight both SSA program-related cases, as well as other SSN misuse investigations.

### Program Cases

#### *Woman Claims Benefits for 18 Years for a Child That Never Existed*

Our Philadelphia Field Division received a referral from the Salisbury, Maryland, SSA Office involving a woman with multiple identities. Our investigation determined that she received Social Security benefits under multiple names and SSNs. In addition, she received benefits for 18 years for a child that never existed. She was incarcerated and ordered to pay restitution of \$99,983 to SSA.

#### *Father Uses Son's SSN to Conceal Work Activity*

Our Chicago Field Division investigated a disability beneficiary who worked under his son's SSN to conceal his work activity. The man admitted to making false statements to SSA to conceal his work activity in order to continue his disability benefits. He pleaded guilty and was ordered to pay restitution of \$57,918 to SSA.



### ***Woman Receives Benefits Under Two Names and SSNs***

An investigation by our Chicago Field Division found that a woman was receiving Social Security disability benefits under an SSN she fraudulently obtained in 1971. She then applied for and received SSI under a name and number she had obtained in 1957. When first questioned about receiving benefits under two names and numbers, the woman claimed that the other SSN belonged to her sister who lived in her basement. When she was called into the local SSA office for review, she had a friend accompany her, masquerading as her non-existent sister. The woman had been falsely receiving SSI benefits since June 1980 under the SSN she obtained in 1957. She was incarcerated and ordered to pay restitution of \$63,084 to SSA.

### ***Man Collects \$312,058 During Nearly 2 Decades of Fraud***

Our St. Louis Field Division investigated a man who used an alias and a false SSN to conceal his work activities and earnings for nearly 2 decades. He began receiving Social Security disability benefits in the late 1970s. During the course of our investigation, we found that he obtained another SSN under an assumed name. He returned to work in 1980 under the assumed name and related SSN. He failed to report to SSA that he received substantial wages during the years 1980 through 1996. He was incarcerated and ordered to pay restitution of \$312,058 to SSA.

### ***Man Uses Four Identities to Acquire Benefits Totaling \$262,279***

Our Los Angeles Field Division conducted an investigation of a man who used four identities and SSNs, including the identity and SSN of his deceased stepfather, to obtain SSI and Social Security benefits totaling \$262,279. The investigation also determined that the man made false statements to SSA in an effort to conceal other sources of income such as workers' compensation (WC) and private disability benefits. The man was ordered to pay restitution of \$262,279. In conjunction with our investigation and the restitution order, the USMS seized a Rolls Royce Corniche, two Cadillac limousines, one Cadillac sedan, as well as jewelry, four mink coats, various antiques, and a grand piano. A lien was also placed against his residence.

### **Nonprogram Cases**

#### ***SSNs of Over 100 High-Ranking Military Officials Used in Bank Fraud***

As part of a multi-agency task force, our Philadelphia Field Division, conducted an investigation of 2 individuals who used the names and SSNs of over 100 high-ranking U.S. military officials, which they obtained off of the Internet. They used the information to fraudulently obtain credit cards which they applied for over the Internet. The individuals were incarcerated and ordered to pay restitution of over \$287,000 to the companies that were victimized by the scheme.

#### ***False SSNs Used to File for Over \$900,000 in Student Loans***

Our Boston Field Division and the Department of Education's Office of Inspector General joined forces to investigate an individual that submitted dozens of fraudulent Federal student loan applications over a 3-year period to agencies and banks in Massachusetts. The investigation determined that the man used false SSNs to file for over \$900,000 in student loans. The man, while incarcerated and on Federal supervised release for a 1996 conviction for a similar scheme, filed the fraudulent loan applications falsely claiming to be an enrolled student at foreign medical schools. The man was incarcerated and ordered to pay restitution of \$350,000 to the American Student Assistance Corporation. The court also entered an order of forfeiture against him for \$159,840.

#### ***Man Misuses an SSN in Six Bankruptcy Filings***

Based on a referral from the U.S. Attorney's Office in Phoenix, Arizona, our Los Angeles Field Division joined forces with the FBI and the Internal Revenue Service (IRS) to investigate an individual who used another individual's SSN to file for bankruptcy. The individual filed six bankruptcy petitions with the U.S. Bankruptcy Court using false and incomplete information to forestall foreclosure on rental properties he owned. The investigation further disclosed that he also used another individual's SSN to file insurance claims, apply for credit, and to title and register a vehicle. He was incarcerated and ordered to pay the IRS \$165,000.

#### ***Bank Fraud Ring Busted***

Our Seattle Field Division conducted a joint investigation with the FBI of seven individuals who schemed to defraud financial institutions out of more than \$320,000 by using false identities, false SSNs, and counterfeit checks. To start their scheme, the individuals estab-

lished residency at various rental properties using fraudulent names and SSNs. They subsequently opened bank accounts with false residential and employment information. When landlords and bank officials tried to verify background information, the individuals would use each other for references on the various rental and bank account applications. After their bank accounts were open for a period of time, they would deposit counterfeit checks and withdraw cash before the banks could detect the fraudulent checks. Six of the individuals were incarcerated and all seven were ordered to pay restitution of amounts ranging from \$29,394 to \$320,022.

#### ***Company Manager Conspires With Document Vendors to Assist Illegal Workers***

Our Atlanta Field Division conducted a joint investigation with the Immigration and Naturalization Service (INS) and the Florida Department of Law Enforcement of several individuals who conspired to assist illegal aliens in obtaining employment. The investigation determined that a manager of a Florida maintenance company knowingly referred his undocumented alien employees to known fraudulent document vendors. The vendors altered the aliens' passports and INS documents, making their clients appear to be authorized to work in the United States. The vendors also provided their clients with translation services at area Social Security offices where they obtained SSNs using the false documents. The document vendors charged the individuals fees ranging from \$600 to \$800 for these services. The manager of the maintenance company and the document vendors were incarcerated. Forty-seven aliens working illegally in the United States were also deported.

#### ***Man Sentenced for Fraudulent Translator Scheme***

Our New York Field Division, the INS, and the Department of State conducted an investigation of a man who was allegedly providing translation services for aliens at SSA and Motor Vehicle offices. The investigation determined that the man was inserting counterfeit U.S. Visas into his alien customers' passports. He then transported his customers to SSA and Motor Vehicle offices to obtain SSN cards and drivers' licenses using the counterfeit documents. The following items were seized when a search warrant was executed at his place of business: passports, counterfeit U.S. Visas, 23 blank counterfeit SSN cards, 5 completed counterfeit SSN cards, passport photos, SSN applications, counterfeit

INS stamps, a list of SSA offices in Florida, a list of Mail Boxes Etc. stores in Florida, and plane tickets to Florida. He was incarcerated and fined \$3,000.

### **Representative Payees**



In the Significant Activities section of this report, we highlighted our work that focuses on the Representative Payee Program. In the past, our reporting of allegations about representative

payees has been embedded in programmatic issues. Because of certain high-profile cases brought to our attention, we are focusing our investigative efforts on these allegations, not only because of dollars misdirected but because of the human suffering representative payee abuses cause. The following cases highlight other significant representative payee cases.

#### ***Fifteen Representative Payees Convicted as Part of \$1.5 Million Fraud Scheme***

Based on referrals from the Middleburg Heights and Lakewood, Ohio, SSA Offices, our Chicago Field Division led an investigation where 50 individuals were arrested in Ohio, Michigan, Rhode Island, Florida, New York, and New Jersey. The investigation identified a scheme and conspiracy where individuals faked similar mental and emotional disabilities and close friends or family members corroborated those disabilities. Out of the 50 individuals, 15 were representative payees for between 1 and 4 individuals. Sentences for these individuals ranged from incarceration or home detention to probation, and all have been ordered to make full restitution. The estimated loss as a result of this scheme exceeds \$1.5 million.

#### ***Man Misuses \$137,000 Intended for His Children***

Our Los Angeles Field Division investigated a man who applied for and received Social Security benefits for his two children and himself. He also served as representative payee for his children from January 1990 through July 1997. However, our investigation revealed that he had not had custody of his children since 1990. The man admitted to investigators that he misused the benefits intended for his children and failed to notify SSA of his children's living arrangements. He was incarcerated and ordered to pay restitution and fines of \$64,000. The total fraud loss to SSA was \$137,484.

### ***Representative Payee Sentenced for Misusing Funds***

Our Boston Field Division conducted an investigation of a woman who was the representative payee for 23 beneficiaries who were receiving Social Security and SSI disability payments. The checks issued to her as representative payee were mailed to her at the Salvation Army where she was employed. Several beneficiaries complained to SSA that the woman was not using their benefits to pay their bills. Our investigation determined that the woman misused more than \$50,000 in benefits. She received home detention and was ordered to pay restitution of \$51,200 to SSA.

### ***Connecticut Representative Payee Sentenced for Misusing Funds***

Our Boston Field Division investigated a former director of a nonprofit association who misused SSA and SSI disability funds entrusted to him as representative payee for clients of the association. The organization provided mental health services to its clients. Our investigation established that the man served as representative payee for 60 individuals and had misused about \$26,000 in benefits. We also found that he had misused State funds and had committed procurement fraud against the mental health association. He received home detention, a \$3,600 fine, and was ordered to receive substance abuse counseling. Before sentencing, he paid over \$43,000 to the mental health association as full restitution for these crimes.

## **Other Cases of Interest**

### ***Couple Ordered to Pay \$88,226 in Restitution to SSA***

Our Los Angeles Field Division investigated a couple who continued to receive Social Security benefits for approximately 4 years after their four children were removed from their care by the Arizona Child Protective Services. Both were sentenced to probation and ordered to pay restitution of \$88,226 to SSA.

### ***Man Receives Benefits for Fictitious Individuals***

Our New York Field Division and the U.S. Postal Inspection Service conducted an investigation of a man who received Social Security benefits for fictitious individuals. Our investigation determined that the man received benefits for four fictitious children, one fictitious adult, and one deceased individual. He also assisted his nephew in obtaining SSI disability benefits even though he was not disabled. He was incarcerated and ordered to pay restitution of \$46,331 to SSA. The man's nephew was incarcerated and ordered to pay restitution of \$3,200 to SSA.

### ***Man Receives Maximum Sentence for Threatening Agents***

The Eau Claire, Wisconsin, SSA Office contacted our Chicago Field Division to report a couple who had divorced in 1993 but continued to live together, posing as a married couple. The woman, an SSI recipient since 1993, was overpaid more than \$30,000. During an interview with two of our investigators, the man became very agitated and threatened the investigators with bodily harm. Our investigators received information that the man recently purchased a handgun and told a witness that he would kill the Federal agents from Social Security if they ever returned. He also telephoned the Social Security office and threatened to shoot another SSA employee and both investigators, as well as "shoot up" the office. During a subsequent telephone conversation with one of the investigators, he made 31 threats to kill both investigators and another SSA employee. He was incarcerated and ordered to have no contact with SSA and its employees.

### ***Woman Ordered to Repay \$105,793 for Benefits She Collected for a Child Not in Her Care***

Our Los Angeles Field Division investigated a woman who made false statements and provided a false document to SSA when she filed for Social Security benefits for herself and her daughter. Our investigation established that the woman was not the child's mother and she had actually "purchased" the child from Mexico around 1986. In 1992, she gave the child away and continued to collect \$105,783 in benefits from September 1989 to March 1997. She received home detention and was ordered to pay full restitution to SSA.

### ***Mother Negotiates Daughter's Checks***

Based on a referral from the Hobbs, New Mexico, SSA Office, our Dallas Field Division investigated a woman who was receiving Social Security benefits on behalf of her daughter. Our investigation found that the woman failed to report to SSA that her daughter was not living with her and continued negotiating her daughter's SSA checks when her daughter was actually residing with her grandmother. The woman received probation and was ordered to pay restitution of \$63,582 to SSA.

### ***Contractor Ordered to Pay Over \$5 Million in Restitution***

At the request of the U.S. Attorney's Office in Pittsburgh, Pennsylvania, our Philadelphia Field Division assisted in a joint investigation with the IRS; the FBI; the Bureau of Alcohol, Tobacco and Firearms; the Environmental Protection Agency; and the Department of

Labor. The investigation revealed that a local bridge painting contractor had diverted employee Federal income tax withholdings. By comparing a variety of tax records to SSA's records, investigators established

the total amount of funds stolen. The man was incarcerated and ordered to pay restitution of \$5,823,429 to a financial institution, the States of Pennsylvania and Ohio, and the Federal Government.

# Office of Audit

The Office of Audit conducts comprehensive financial and performance audits of SSA programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. OA also conducts management and program evaluations that identify and recommend ways to prevent program fraud and maximize efficiency. The office is organized into issue area teams that specialize in one or more of SSA's programs or operations as displayed in the organization chart below.



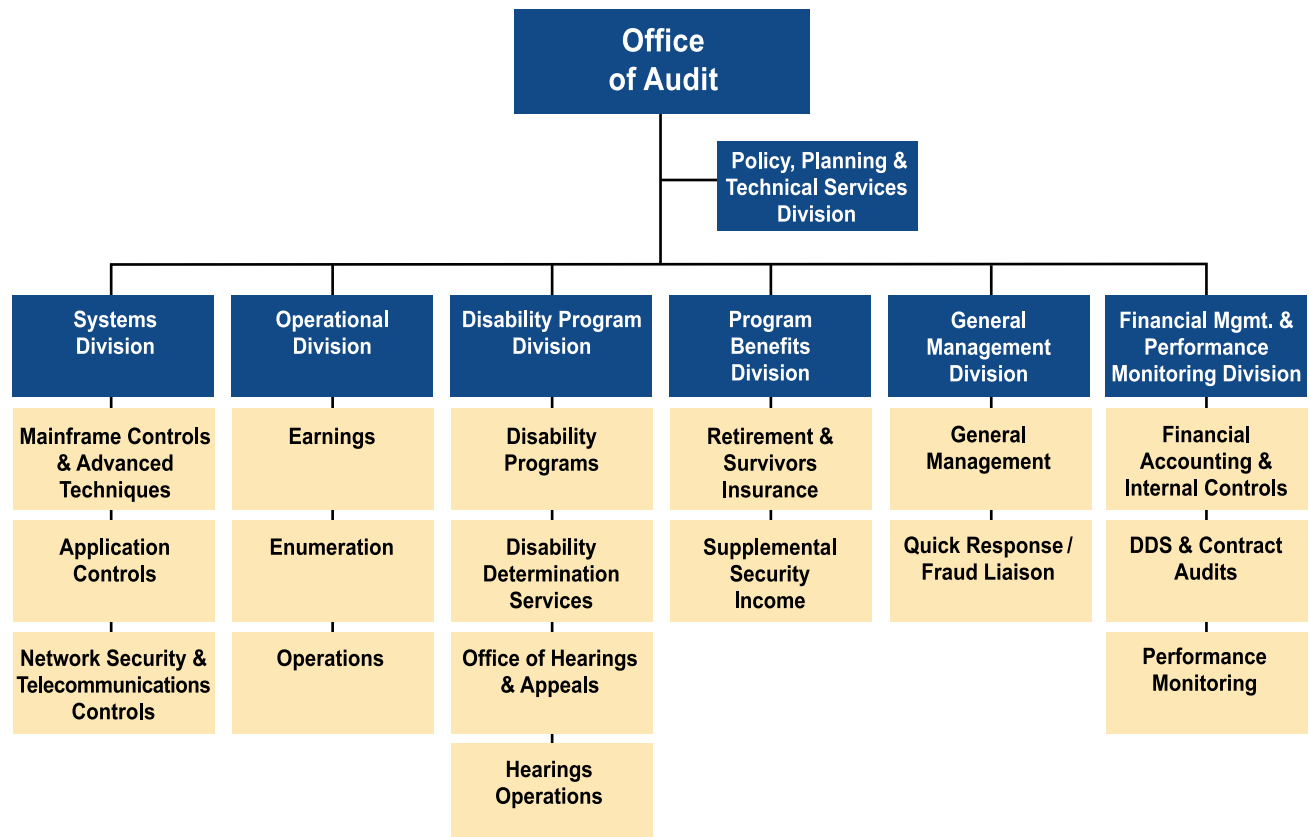
During this reporting period, we issued 65 reports with recommendations that \$236,508,945 in Federal funds could be put to better use and identified \$76,991,654 in questioned costs. The following sections highlight some of our most significant reviews.

## Enumeration

Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Federal agencies.

The importance placed on SSNs as an identifier in today's society provides a tempting motive for individuals to fraudulently acquire an SSN and use it for illegal purposes. SSN misuse may affect a victim's ability to receive legitimate benefits and also may harm his or her credit ratings. In addition, the financial industry passes on the cost associated with identity theft to all of its consumers.

Most importantly, however, is that individuals also use false identities to defraud SSA programs. Our work has revealed that unscrupulous individuals can assume the identity of another person who is either alive or dead and work under the stolen SSN while receiving disability benefits under their own SSN. Individuals also have



assumed the identity of another person to hide assets using the assumed identity in order to qualify for SSI under their own SSNs.

Recognizing SSA's vulnerability to SSN misuse, we issued the following reports.

***The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies***



Our objective was to assess whether the results of biometric technologies used to combat fraud and identify ineligible recipients for social service programs could benefit SSA. As of December 1998, 11 States used or had plans to adopt biometric technologies in their social service programs. In general, States that have implemented biometric programs

have realized significant benefits (California – over \$86 million; Connecticut – \$15 million; New York – \$396 million).

We reviewed 500 sample cases from 12,615 Aid to Families with Dependent Children (AFDC) cases closed by New York for failure to cooperate with the State's finger-imaging requirement from October 1995 to July 1997. In our sample, we identified 64 individuals (13 percent) who had received Social Security or SSI disability benefits. Because SSA did not have a matching agreement in place with New York, we could not determine the propriety of the payments SSA made to these 64 individuals. We were also prohibited from pursuing matching agreements in individual cases.

However, we estimate that, as of January 1998, about \$45 million in benefits were paid to approximately 1,615 individuals within the population of New York State's 12,615 terminated AFDC cases. An additional \$16.3 million in benefits will be paid to individuals within this population between February 1998 and February 2001. We believe SSA could use the results of New York State's biometrics program to identify individuals who are inappropriately receiving benefits, thereby reducing and/or recovering any improper benefit payments.

We recommended that SSA: (1) pursue a matching agreement with New York, so that the Agency can use the results of the State's biometric technologies; and (2) initiate pilot reviews to assess the cost-efficiency of matching data with other States that have used biometrics in their social service programs.

In response to our recommendations, SSA agreed to conduct a pilot matching agreement with New York and consider expanding the program to other States if the New York pilot proves beneficial.

***Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications***

Our objective was to determine whether SSA's procedures for examining evidentiary documents are effective in ensuring the proper assignment of original SSNs. In May 1999, we issued a Management Advisory Report (MAR), *Using Social Security Numbers to Commit Fraud* (A-08-99-42002), which outlined the role SSNs play in the commission of identity fraud crimes. In that report, we also described several SSN fraud cases that highlighted some of the vulnerabilities in SSA's enumeration process, including vulnerabilities within SSA's document verification process. This report serves as a sequel to the MAR, provides additional recommendations, and reaffirms some previous recommendations that we believe will improve the integrity of SSA's enumeration process.

Of the SSNs we reviewed, 28 percent were based on invalid or inappropriate evidentiary documents. As such, these SSNs should not have been assigned. We acknowledge this sample was neither statistically selected nor indicative of the percentage of possible errors within the universe of 2.66 million original SSNs assigned during the audit period. However, the results of our review provide insight regarding significant vulnerabilities within SSA's enumeration system. Despite SSA's efforts to address these vulnerabilities, the Agency's controls do not prevent individuals from improperly attaining SSNs with fraudulent evidentiary documents.

Based on our observations at SSA field offices (FO) and our analysis of the selected SSNs, we identified the following vulnerabilities that may have resulted in the acceptance of invalid evidentiary documents.

- SSA employees do not have adequate tools (for example, real-time on-line verification mechanisms) to determine the validity of evidentiary documents.
- Current systems controls do not prevent the assignment of SSNs in certain suspect circumstances (for example, multiple SSN cards sent to common addresses, parents claiming to have had an improbably large number of children).

- SSA's emphasis on customer service discourages personnel from employing security measures that might detect fraudulent documents because it would delay the enumeration process.

We recommended that SSA: (1) obtain independent verification for all alien evidentiary documents before approving the respective SSN applications; (2) accelerate negotiations with the INS and the State Department to implement the Enumeration at Entry program; (3) give credit for fraud detection and development in measuring the performance of FOs and their employees; (4) continue efforts and establish an implementation date for planned system controls that will interrupt SSN assignment in certain suspect circumstances; (5) study the impact of requiring SSN applicants to either provide an actual street address or pick up their SSN cards at the closest SSA FO; and (6) propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States.

SSA agreed with or provided an adequate response for four of the six recommendations. However, SSA disagreed with our recommendation to obtain independent verification for all alien evidentiary documents before approving the respective SSN applications. SSA stated that the Agency already verifies with the INS all documents for noncitizens applying for SSNs, except documents for those who have been in the country less than 30 days. SSA believes that delaying approval of their SSN applications for 1 to 2 months until the INS can verify their applications would result in a grave disservice to newly-arrived individuals who have legal authority to work. Instead, the Agency stated that it would continue to work with the INS to shorten the lag time needed to update the INS systems and to have INS collect enumeration data.

SSA also disagreed with our recommendation to propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States. SSA stated that the legislative proposal would be extremely difficult to administer because SSA cannot, on its own, determine when or if an individual's immigration or work status has changed. SSA believed that these determinations could be made only by the INS or a judicial proceeding. We asked SSA to reconsider its responses to these two recommendations.

## Earnings



An individual's earnings are the basis for calculating Social Security benefits. SSA establishes and maintains a record of an individual's earnings for use in determining

an individual's entitlement to benefits and for calculating benefit payment amounts. For those reported earnings that fail to match SSA's name and SSN validation criteria, those items are posted to the Earnings Suspense File (ESF). From 1937 through April 1999, the ESF has grown to about 212 million items representing about \$262 billion in wages. Employer and employee reporting errors are the main causes of the file's growth and size. The ESF is an indication of reporting problems that must be addressed. If not addressed, these reporting problems could result in the beneficiaries receiving less than what they are entitled to. A summary of a related report follows.

### *The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size*

Title II of the Social Security Act requires SSA to maintain records of wage amounts that employers pay to individuals. To accomplish this, SSA uses the SSN to record individuals' wages. When wage items fail to match SSA's name and SSN records, they are put in the ESF. Since 1990, the ESF has increased by an average of 5 million wage items and \$17 billion annually.

Six major factors hinder the reduction of the ESF's size and contribute to its growth.

1. Higher Agency priorities for automated systems development resources within SSA.
2. The Agency has neither linked wage information year-by-year to identify chronic problem employers, nor aggressively targeted for corrective action, the employers who have been responsible for a disproportionate share of the ESF for several years.
3. Agency officials reported to us that some employers contacted in a recent effort to correct and prevent wage reporting errors were unaware of wage reporting problems.
4. The ESF Tactical Plan does not adequately address industries that hire transient employees who may not have work authorization from the INS.

5. Initiatives with higher benefits require coordination with, and/or assistance from, other Federal agencies. For example, SSA estimates that if the IRS imposed civil penalties allowed under existing law against employers who file inaccurate wage reports, it would reduce the file's growth by 1.5 million wage items, annually. However, at meetings with SSA officials, the IRS was reluctant to take action.
6. Existing laws and regulations are not clear in specifying an employers' right to require prospective employees to present SSN cards prior to hiring. In addition, overlapping and/or conflicting employee hiring and reporting requirements among SSA, the IRS, and the INS confuse employers.

We recommended and SSA agreed to:

- Establish a high priority on key ESF reduction initiatives in the current ESF Tactical Plan.
- Assign a higher priority to work with the IRS to prepare a legislative proposal to clarify employers' right to see the SSN card before hiring.
- Pursue with the IRS penalties on chronic problem employers.
- Seek sanctioning authority if the IRS fails to impose penalties against chronic problem employers. However, SSA believes that the IRS can more effectively apply such penalties.

### **Systems – Data Integrity**

One of the challenges facing SSA is giving the public the service it expects during a period of increasing demands without a corresponding increase in staff. Demographic changes in the Nation's population over the next several years will cause substantial increases in SSA's operational workloads. To meet this challenge, SSA must increase its reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs and client satisfaction.



To ensure the integrity of SSA's controls over application software development and maintenance at SSA, we conducted the following reviews.

#### ***Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases***

Our objective was to determine the impact on SSA's operations when diagnosis codes on the Master Beneficiary Record (MBR) or Supplemental Security Record (SSR) are missing, invalid, or for unestablished diagnoses. The diagnosis code on the MBR and SSR should refer to the basic medical condition that rendered the individual disabled.

SSA's procedures do not ensure valid and specific codes are recorded to the MBR or SSR. We estimate that 1.31 million MBR or SSR records did not contain diagnosis codes representing the medical condition related to the individuals' disabilities. Having diagnosis codes that do not represent specific disabilities on SSA's records affects SSA's ability to properly select beneficiaries or recipients for CDRs and precludes SSA from identifying cases mandated for redeterminations.

For instance, under the Welfare Reform Act, the prior medical determinations of children had to be reviewed if those children had certain disabilities specified in the legislation. Our findings revealed that the required reviews were not performed in cases that should have been selected for redeterminations. We estimate that at least 3,539 recipients with incorrect codes should have had medical redeterminations performed as required under the Welfare Reform Act. Since SSA did not perform these redeterminations, we estimate that at least \$8.97 million in SSI benefits were paid incorrectly.

We recommended that SSA correct the diagnosis codes in its data bases to ensure that, in the future, all beneficiaries' disabilities are represented by valid, specific codes. SSA agreed to take action on most of our recommendations. However, we continue to believe that further corrective action is necessary to ensure that diagnosis codes are carried forward to new records, because SSA's automated edits do not apply to all claims and do not preclude manual override.

#### ***Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121***

The Social Security Act was amended on March 29, 1996, by P.L. 104-121, commonly known as the Contract with America Advancement Act of 1996, to prohibit disability benefits if drug addiction and/or alcoholism (DAA) is material to the finding of disability. The law required SSA to terminate benefits for individuals whose disabilities were based on DAA. If beneficiaries timely appealed their benefit terminations, SSA was to conduct medical redeterminations by January 1, 1997.



In September 1998, we began an audit of SSA's implementation of DAA provisions of P.L. 104-121. Our objective was to determine whether SSA identified all beneficiaries and recipients for whom DAA was a contributing material fact to the finding of a disability. We found that SSA only used one criteria for identifying DAA cases for review. However, using additional diagnosis codes, we focused on 19,946 individuals whose cases we believed might be indicative of a DAA impairment. After reviewing a sample of these claims, we found that DAA was, in fact, the primary reason for disability in many of these cases and we alerted SSA to that fact. The Agency disagreed with our finding and asserted that, based upon data contained in their system, disability determinations for 16,677 of the individuals did not consider DAA material to their disability. Of the remaining 3,269 individuals, SSA informed us that it did not have sufficient information to determine whether or not DAA was material to their disability.

We expressed our concerns to SSA regarding its assertions, and we proceeded with a review of a sample of the 19,946 individuals who appeared to be receiving benefits based on DAA even though the law prohibited such payments. Following our review, we concluded that SSA did not identify and terminate benefits to all individuals where DAA was material to their disability determination. We then estimated that 3,190 individuals were incorrectly paid \$38.7 million in benefits.

Additionally, we found that cases were miscoded in SSA's systems showing DAA, even though DAA was not material to the disability determination. Based on our review, we estimated that 14,420 individuals do not have the correct diagnosis codes, DAA indicators, or both, on their records to show that DAA was not material to their disability determination.

We made the following four recommendations to improve the implementation of the DAA provisions of P.L. 104-121, and to help reduce SSA's incidence of paying benefits to ineligible individuals.

1. Review the 10,611 SSI cases that SSA asserted were either properly handled or miscoded and apply the provisions of P.L. 104-121, where appropriate.
2. When conducting the next scheduled CDRs for the 6,066 Disability Insurance (DI) cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.
3. Ensure that the 3,269 cases SSA agreed to review are completed, the coding corrected, and the benefits terminated, where appropriate.

4. Modify its systems so that primary diagnosis codes for DAA will no longer be accepted.

In response to our report, SSA agreed with our recommendations and stated that corrective actions were initiated, and in some cases, completed. The House Committee on the Budget, after reviewing this report, requested that the Inspector General provide testimony concerning SSA's implementation of P.L. 104-121 on September 12, 2000. Also during September 2000, SSA completed all of the medical reviews specified in our first three recommendations. Specifically, SSA reported that it had terminated disability benefits for 2,683 individuals. Of the 2,683 individuals, benefits were terminated for 339 because DAA was material to the finding of disability and the remaining 2,344 had their benefits terminated because they either (1) did not respond to SSA's request to come in for a CDR to ascertain if they had a disability other than DAA or (2) showed medical improvement in their disability impairments. For our fourth recommendation, SSA notified us that it modified its systems to preclude the primary diagnosis codes for DAA in all cases except denials. SSA stated that when a case is denied because of DAA the use of the DAA diagnosis code is appropriate.

#### *Social Security Administration's Suitability Program for Employees and Contractors (CONFIDENTIAL)*

Our objective was to determine whether SSA's suitability program provides reasonable assurance that all employees and contractors' employees undergo suitability reviews before they access SSA's facilities and sensitive information. Suitability refers to a person's character traits and past conduct and is distinguishable from the person's ability to fulfill the job qualification requirements, such as experience, education, and skills. Our audit disclosed weaknesses in SSA's suitability program which leaves SSA's facilities and data vulnerable to unauthorized access.



Specifically, SSA did not consistently perform initial suitability or background checks of employees, as required by Executive Order 10450, *Security Requirements for Government Employees*. SSA had not reclassified employee positions to a sensitivity level commensurate with the position's potential for adversely affecting the Agency's service or its compliance with the Computer Security Act of 1987.

We made eight recommendations to SSA to improve its suitability program to ensure access to sensitive information is appropriately limited. Our recommendations included centralization of the suitability program under a single Deputy Commissioner, development and implementation of a policy that all employees receive appropriate background checks, rewriting position descriptions with appropriate sensitivity levels, and enforcing State DDS compliance with SSA's suitability program. SSA agreed with most of our recommendations. However, they did not agree to centralize the suitability program under a single Deputy Commissioner and they have not made a decision that would require State DDS personnel to undergo suitability reviews.

### Program Management

SSA is bound by complicated guidelines in administering Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs. This is particularly true for SSI because, as a means-tested program, it is more difficult to administer than OASDI. OASDI entitlement is based on general objectives and relatively stable factors, such as birthdates, earnings history, and marital status.



SSI eligibility, on the other hand, can change monthly because of changes in income, resources, living arrangements, and place of residency. In February 1997, the General Accounting Office declared SSI a high-risk program and this designation continues to exist. To assist in ensuring the integrity of the SSI program, Congress enacted the Welfare Reform Act, which requires that SSA conduct CDRs in certain instances. The Welfare Reform Act also authorized the fundings for CDRs for FYs 1997 and 1998. SSA reports annually to Congress on its progress in conducting CDRs.

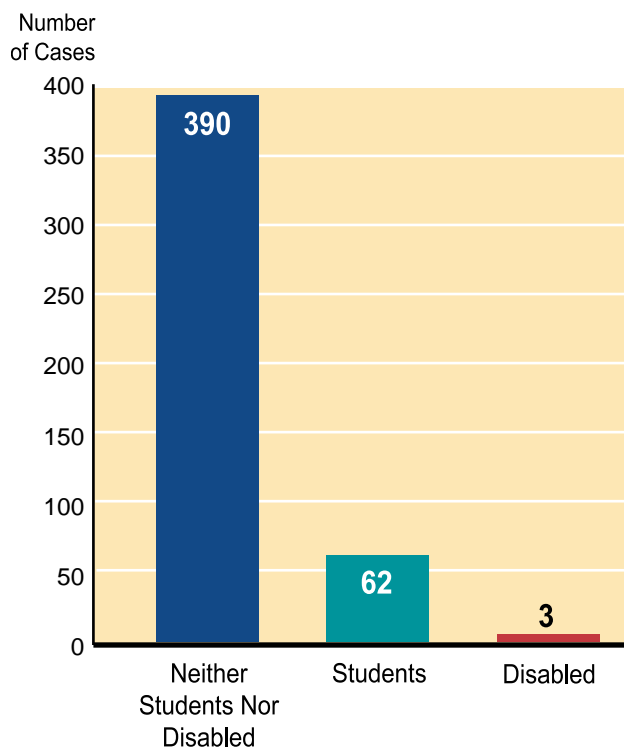
OASDI programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings because of retirement, disability, and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed individuals. Social Security also provides protection for surviving spouses and children. Several of our reviews about these programs are described in this section.

### *Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled*

The Social Security Act provides benefits to the children of retired, deceased, or disabled workers. Generally, these children are entitled to Social Security benefits until they marry or reach age 18. However, children who are full-time students may continue to receive benefits until they reach age 19 or complete their secondary education, whichever occurs first. The Act does not provide for benefits to child beneficiaries over age 18 if they are neither students nor disabled.

We conducted this audit to determine whether SSA paid benefits to child beneficiaries who were age 18 or over and neither students nor disabled. Our review disclosed that 390 (85.7 percent) of the 455 child beneficiaries in our population were age 18 or over and neither students nor disabled. These individuals were ineligible for Social Security benefits under the Act. The remaining 65 individuals represented child beneficiaries who, based on subsequent information obtained by SSA, were entitled to benefits.

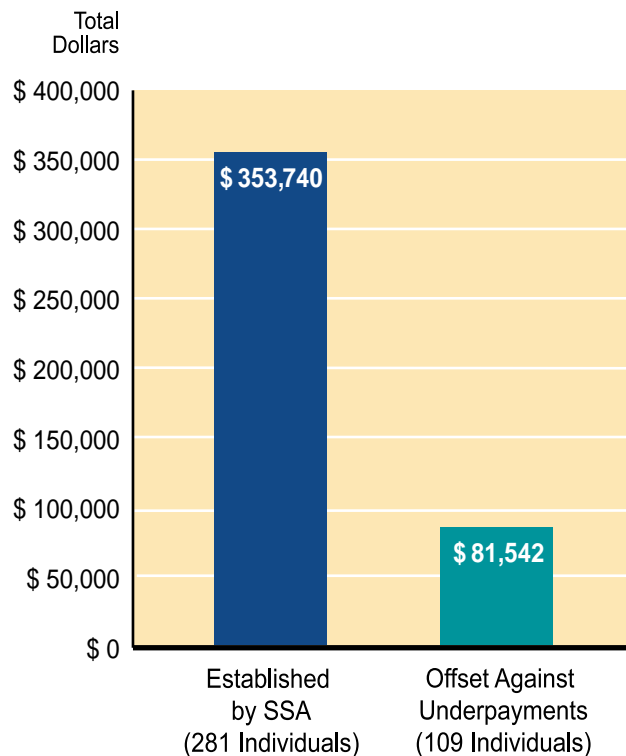
### Summary of Child Beneficiaries Reviewed



We found that the 390 child beneficiaries received \$435,282 in Social Security benefits to which they were not entitled. This occurred because: (1) SSA had not programmed its automated system to terminate benefits

for these individuals, and (2) employees did not manually process the termination actions in a timely manner. As of June 30, 1999, SSA established overpayments totaling \$353,740 against 281 of these individuals. The remaining 109 individuals received \$81,542 in overpayments which were offset against underpayments due other individuals in the same family.

### Total Overpayments to Child Beneficiaries



We recommended and SSA agreed to:

- Modify its automated system to terminate benefits to child beneficiaries at age 18 if they are neither disabled nor full-time students.
- Generate alerts for employees to review complex cases, recalculate benefit amounts, and adjust payments due other individuals in the same family, if necessary.
- Evaluate the feasibility of automating benefit increases for other individuals in the same family when the benefits for child beneficiaries who are neither students nor disabled are terminated at age 18.

### Workers' Compensation

SSA pays monthly disability benefits to eligible individuals who meet specific disability requirements. Those individuals with a work related injury could also

be eligible for individual State WC payments. Such cases can create a situation where the individual worker could receive more in combined Federal and State disability benefit payments than he earned prior to becoming disabled. To prevent this occurrence, the regulations provide for a WC offset. In favorable Social Security DI decisions in which the claimant is represented by an attorney, SSA must withhold out of the claimants past due benefits and certify direct payment to the attorney, an amount equal to the smaller: (1) 25 percent of the past-due benefits, or (2) an alternate fee authorized by SSA. The complexity of the WC offset calculation makes DI benefits and related attorney fee payments subject to error.

In FY 2000 we issued two reports focusing on the integrity of the WC program. In our audit, *Workers' Compensation Unreported by Social Security Beneficiaries*, November 1999, we investigated the accuracy of individuals reporting WC benefits. We determined that about one-third of the DI population did not voluntarily report changes in their WC status and benefits. This caused SSA to pay inaccurate DI benefits with an estimated total dollar error of \$325.8 million.

We also issued an audit report entitled, *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved*, March 2000. The report disclosed that incorrect attorney payments were made because SSA did not verify the WC benefit amounts provided at application. Additional errors occurred because of internal processing mistakes by SSA employees. We estimated that, in 15 percent of WC cases, SSA could have incorrectly paid attorney fees for a potential total dollar error of \$33.8 million.

### Fugitive Felons

In 1972, the SSI program was established under title XVI of the Social Security Act to provide income to financially needy individuals who are aged, blind, and/or disabled. Then, on August 22, 1996, Congress passed the Welfare Reform Act that prohibits SSI payments to fugitive felons and parole or probation violators. However, the Social Security Act was not similarly amended to prohibit OASDI benefits to fugitives. Currently, a fugitive felon and parole or probation violator is eligible for OASDI benefits, but he or she is not eligible to receive SSI benefits.

We completed two reviews this year that found that SSA needs to increase its efforts to prevent SSI benefits from being used to finance a fugitive's flight from justice, and needs to seek legislation to prohibit the use of

OASDI funds for the same purpose. We estimate that at least 24,700 fugitives were incorrectly paid at least \$76 million in SSI benefits since August 1996. We further estimate that SSA will continue to pay fugitives at least \$30 million annually in SSI benefits if SSA does not use State fugitive files to prevent such payments. Also, between August 1996 and October 12, 1999, our investigators assisted in the arrest of 1,853 fugitive felons who were receiving SSI benefits.

Additionally, we estimate that fugitives will continue to receive at least \$39 million in OASDI benefits during the next year if legislation is not enacted to prohibit them. Since August 1996, we estimate that at least 17,300 fugitives were paid at least \$108 million in OASDI payments. Approximately 40 percent of the fugitives in our review also received SSI benefits.

Although the OASDI program is an entitlement program in which beneficiaries have paid into the Social Security Trust Fund, we believe that SSA should not provide OASDI benefits to fugitive felons. These benefit payments may finance a potentially dangerous fugitive's flight from justice.

Additionally, we believe that implementation of a fugitive nonpayment provision in the OASDI program would assist SSA in presenting a consistent message to the public of "zero tolerance for fraud and abuse." The current statutory provisions are inconsistent in that fugitives are prohibited from receiving one type of Social Security benefit, but can continue to receive a second type of benefit payment. Further, while both OASDI and SSI benefit payments are suspended for prisoners, only SSI benefit payments are suspended for fugitive felons. As a result, a prisoner cannot receive OASDI benefits, but a fugitive felon can.

Based on the results of our two reviews, we recommended that SSA: (1) reach agreement with the U.S. Department of Agriculture (USDA) to share fugitive information, because fleeing felons are similarly disqualified from participation in food stamp programs under 7 U.S.C. 2015(k); (2) reach agreement with State agencies, which neither enter fugitive data into the National Crime Information Center nor provide data to the USDA, to obtain their fugitive information in an electronic format; and (3) pursue legislation prohibiting payment of OASDI benefits to fugitives similar to the provisions pertaining to SSI benefits under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193).

In response to our draft reports, SSA agreed with our first two recommendations and is assessing the third recommendation. Specifically, SSA will contact the USDA to determine the feasibility of coordinating its efforts. SSA expects to begin receiving matching agreements, followed by data on fugitives on a regular basis, from State and local law enforcement agencies in the months ahead. For our third recommendation, SSA was not prepared at this time to agree to pursue legislation. However, the Agency agreed to assess our recommendation and provide the results of its assessment.

### *Status of the Social Security Administration's Updates to the Medical Listings*

We performed this review to evaluate SSA's actions to update the medical listings it uses to determine whether an individual is disabled. We found that some medical listings have not been updated during the last 10 years. SSA attributed this delay to staff shortages, competing priorities, and research limitations. In addition, with the passage of the Welfare Reform Act, SSA had a new congressionally mandated workload of disability redeterminations that needed to be completed.

SSA also informed us that they have not made a comprehensive revision of the adult mental disorders listing in the past 15 years, even though the adult mental disorders listings are the most common basis for medical disability in initial claims filed by adults. To their credit, SSA has identified the medical listings that need to be updated; however, it has not established time frames for their completion. Setting completion dates as a goal in the Agency's Performance Plan would not only show SSA's commitment to updating the medical listings but would also show Congress that SSA is responding to past criticism and treats updating listings as a priority.

To ensure that SSA remains focused on updating all the mental disorders listings, as well as enhancing the usefulness of future annual performance plans (APP), we recommended that SSA establish a performance measure for its initiative to update the medical listings, with a specific timetable for each of the planned phases.

In its comments to our report, SSA agreed that they need to keep a focus on updating the listings from a performance perspective, but they did not agree that it should be accomplished through the establishment of a performance measure with specific timetables. The reason behind their disagreement stems from the fact that revisions to the medical listings are subject to several variables, some of which are not fully in the control of the Agency.

Since the Government Performance and Results Act (GPRA) requires agencies to develop performance indicators that assess the relevant service levels and outcomes of each program activity, OIG believes that maintaining updated medical listings for assessing disability is a crucial function. Accordingly, we continue to believe that SSA should develop and report on a measure to assess the service level and outcomes if its medical listings update activities.

### ***Payment Accuracy Task Force Report: Title II Relationship and Dependency***

SSA issued a self-challenge to increase the payment accuracy rate. Through a cooperative effort between SSA and OIG, the Agency established a Payment Accuracy Task Force. The Task Force selected title II relationship and dependency payment errors for its FY 2000 review. From FY 1995 through FY 1998, this category of payment error accounted for the largest portion of Old-Age and Survivors Insurance (OASI) overpayment dollars, nearly \$650 million or 40 percent of overpayment dollars as reported in SSA's FY 1998 Annual Stewardship Report to Congress. In February, the Task Force charged an issue team with analyzing the sources and causes of these errors and producing a report with recommendations.

Based on the team's analysis of error cases used for SSA's Stewardship and Index of Dollar Accuracy reviews and FO and Program Service Center interviews, the issue team focused on improving accuracy of payments to child beneficiaries. Title II relationship and dependency payment errors include out-of-wedlock-children, stepchildren, legally adopted children, student beneficiaries, common-law and deemed marriages, and divorce.

The Task Force recommended that SSA:

- Revise the Form SSA-2519 (Child Relationship Statement) to consider State law when determining entitlement for out-of-wedlock children.
- Develop supplemental tools to help with one-half support computations, e.g. an interactive computation screen supported by the Interactive Computation Facility, a worksheet for manual computation, and/or a desk guide.
- Conduct a study to determine the feasibility of continuing to send Beneficiary Recontact program mailers to children ages 15-17.

- Place more emphasis on initial claims representative training and provide subsequent refresher training to emphasize consideration of applicable State laws before disallowing a claim for an out-of-wedlock child.

### **SSA Performance Measures**

We developed a 3-year Work Plan (see Appendix A) to review SSA's implementation of GPRA. To implement this plan, every issue team in OA conducts GPRA-related reviews. One issue team dedicated to GPRA reviews coordinates the work. All of the teams will determine the reliability of SSA's performance data and ensure that SSA's implementation of GPRA is in accordance with its requirements. The following summarizes our efforts in this area.

#### **OIG Reviews**

In FY 2000, we released seven reports related to GPRA. Two of the seven reports provided a broad analysis on SSA's implementation of the law. The first, *Performance Measure Review: Survey of the Sources of the Social Security Administration's Performance Measurement Data* issued in November 1999, assessed the availability of data to measure SSA's performance. The report concluded that SSA did have methods to collect data, which is used to report on all of its performance indicators. The second, *Performance Measure Review: Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan*, also issued in November 1999, noted that SSA's FY 2000 APP demonstrated a commitment by SSA to comply with GPRA and meet congressional expectations for information on the Agency's performance. However, the report did include some recommendations for improvement for future APPs. For example, we recommended that SSA establish performance measures for all of its major management challenges, better identify the resources needed to achieve planned performance, and identify known performance data weaknesses within its plans. SSA agreed with our recommendations and stated that it would incorporate these changes within its FY 2001 APP.

The other five GPRA reports we released assessed the reliability of the data used to measure specific performance indicators. All five of the *Performance Measure Reviews*, determined the *Reliability of the Data Used to Measure*:

- *the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays*, December 1999;

- *Welfare Reform Child Disability Reviews*, March 2000;
- *Continuing Disability Reviews*, June 2000;
- *the Social Security Administration's Debt Collection*, July 2000;
- *Social Security Administration Employee Satisfaction with the Level of Security at Their Facility*, September 2000;

We concluded that SSA reliably reported on its performance for the areas addressed. However, some of the reports highlighted SSA's failure to maintain documentation on the methods and data used to measure performance, which would have assisted in the review of the quality of the data. SSA agreed with these recommendations that it maintain documentation related to the creation of its performance statistics.

### Contracted Work

In addition to the OIG GPRA work completed, PricewaterhouseCoopers LLP (PwC) was contracted to conduct GPRA audits. Specifically, PwC conducted their reviews to determine the reliability of the data used to measure performance in six of SSA's business processes. Besides issuing six individual reports, PwC also provided a summary report.

PwC had multiple findings and issued 40 recommendations on how to improve the measurement of performance for the 6 business processes. PwC found that SSA:

- lacked sufficient performance measure process documentation;
- had a number of data integrity deficiencies;
- had three measures that did not reflect a clear measure of performance;
- did not clearly identify the sources of the performance data for all its performance measures; and
- miscalculated three performance measures.

SSA believed that many of the recommendations offered were duplicates of those from the Financial Statement audits conducted by PwC and referred back to its previous responses to the Financial Statement audits to address these recommendations. Of the remaining recommendations, SSA disagreed with two of them.

SSA did not consider it appropriate to divide the representative payee actions performance measure into two separate indicators, as PwC recommended. SSA

believes the indicator appropriately measures the representative workload even though it includes different types of representative payee actions. However, SSA agreed with PwC that the measurement of time it takes to process OASI claims and SSI claims as a performance measure could be affected by how quickly a claimant provided SSA with all necessary information. As a result, PwC recommended that certain performance measures should be redefined so that the Agency was not exposed to such a high degree of external factors. The Agency stated that it was comfortable with having some measures that include elements outside of its control.

### **Financial Audits**



The Chief Financial Officers Act of 1990 (P.L. 101-576), as amended, requires that the Inspector General or an independent external auditor, as determined by the Inspector General,

audit SSA's financial statements in accordance with the General Accounting Office's *Government Auditing Standards*.

We also conduct financial-related audits of SSA programs, segments, line items, and accounts, including related internal control. In addition, we conduct administrative audits of the State agencies and contractors receiving Federal funds for making initial and continuing disability determinations for eligibility under the DI and SSI programs and other contracts as referred by SSA's Office of Acquisitions and Grants.

### ***Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements***

PwC performed the audit of SSA's FY 1999 Financial Statements. PwC's audit report was transmitted to the Commissioner on November 19, 1999. PwC issued an unqualified opinion on the FY 1999 financial statements. In PwC's opinion,

. . . the consolidated financial statements audited by us . . . present fairly, in all material respects, the financial position of SSA at September 30, 1999, and 1998, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net

cost to budgetary resources for the fiscal years then ended in conformity with generally accepted accounting principles.

PwC's audit report did identify two reportable conditions in SSA's internal control. The control weaknesses identified were: (1) SSA needs to further strengthen controls to protect its information and (2) SSA needs to complete and fully test its plan for maintaining continuity of operations.

PwC also reported two instances of noncompliance with laws and regulations. They were: (1) Section 221(i) of the Social Security Act, which requires periodic CDRs for title II beneficiaries and (2) the Federal Financial Management Improvement Act of 1996 (FFMIA) for the cumulative effect of the two internal control weaknesses listed above.

SSA agreed with all of the findings and recommendations, except for the one pertaining to FFMIA. SSA does not feel that the two internal control weaknesses are instances of noncompliance with FFMIA.

## Single Audits

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Native American tribal governments that administer Federal financial assistance programs. To implement the requirements for these audits, the Office of Management and Budget issued Circular A-128, *Audits of State and Local Governments*, which requires State and local governments receiving more than \$100,000 per year in Federal financial assistance to have an annual financial and compliance audit.

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996. The Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Single Audit Act including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended. As a result, the Office of Management and Budget rescinded Circular A-128 and issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the amendments. We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings to SSA for audit resolution. The following table summarizes the single audits issued in FY 2000.

State/DDS/ Commonwealth Audited	FY Ended	Findings	Recommendations	Questioned Costs
Alabama	September 30, 1998	2	2	\$0
Arizona	June 30, 1998	1	1	\$0
Arkansas	September 30, 1997	1	1	\$5,329
Delaware	June 30, 1998	1	1	\$0
Kentucky	June 30, 1999	1	1	\$0
Louisiana	June 30, 1998	1	1	\$0
Minnesota	June 30, 1998	3	1	\$0
Mississippi	June 30, 1998	1	3	Not Yet Determined
New York	March 31, 1997	4	4	\$0
New York	March 31, 1998	6	6	\$0
Pennsylvania	June 30, 1998	9	6	\$0
Rhode Island	June 30, 1999	2	2	\$0
Texas	August 31, 1998	1	1	\$0

In addition to the single audits reviewed, we issued a roll-up report that includes findings for State single audits for Fiscal Year 1997.

***Management Advisory Report: State Fiscal Year 1997 Single Audit Findings: Roll-up Report***

The objective of this report was to identify areas of internal control weaknesses reported in DDS financial audits covering the State FY 1997. To accomplish our objective, we compiled and categorized DDS findings reported for 14 States in their State FY 1997 single audits. Our analysis of the 14 State FY 1997 single audit reports disclosed similar deficiencies in the following categories: cash management, procurement, equipment and real property management, reporting, and allowable costs. The findings relate to DDS' non-compliance with Federal requirements because of weaknesses in internal controls.

The nature and frequency of the findings, reported in State FY 1997 single audits, require SSA's attention to improve DDS operations. The noncompliance with Federal requirements is attributed to SSA's limited internal control emphasis and guidance to DDSs. SSA should be proactive in providing internal control guidance to DDSs. To do so, we recommended, and SSA agreed, to provide the following instructions to DDSs:

1. Adhere to the terms of the Cash Management Improvement Act agreement;
2. Follow procurement instructions established by SSA and the State;
3. Obtain discounted services when competitively contracting for consultative examinations (CE);
4. Implement controls to prevent unauthorized computer access;
5. Develop a formal contingency plan to prevent disruption of services in the event of a disaster;
6. Maintain complete and accurate equipment inventory records and perform periodic physical inventories;
7. Implement effective procedures for preparing, reviewing, approving, and timely reporting of information on the Report of Obligations, the Time Report of Personal Services, and the Cost Effectiveness Measurement System Data Reporting Form;
8. Ensure that costs charged to SSA benefit the program and are properly authorized and documented;
9. Ensure CE fees do not exceed the highest rates paid by Federal or other State agencies for the same or similar types of service; and
10. Adhere to the fees in the State approved CE fee schedule.



# Resolving Office of the Inspector General

## Recommendations

### *Reports With Questioned Costs for the Reporting Period October 1, 1999 Through March 31, 2000*

The following charts summarize SSA's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, etc. Unsupported costs are those costs that are questioned because they are not justified by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Recission Act of 1980 (P.L. 96-304) and the Inspector General Act of 1978, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	6 <sup>a</sup>	\$79,337,819	\$85,831
B. Which were issued during the reporting period.	3 <sup>b</sup>	\$108,410	\$0
<b>Subtotal (A+B)</b>	<b>9</b>	<b>\$79,446,229</b>	<b>\$85,831</b>
<b>Less:</b>			
C. For which a management decision was made during the reporting period:	4 <sup>c</sup>	\$826,628	\$41,933
i. Dollar value of disallowed costs.	4	\$826,628	\$0
ii. Dollar value of costs not disallowed.	1	\$0	\$41,933
D. For which no management decision had been made by the end of the reporting period.	5 <sup>d</sup>	\$78,619,601	\$43,898

a. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999.

b. See Reports with Questioned Costs on page 190 of this report.

c. *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Audit of Administrative Costs Claimed by the Delaware Disability Determination Services* (A-13-98-52015), September 24, 1999 - **This report contained dollars that were disallowed and not disallowed**; *Workers' Compensation Unreported by Social Security Beneficiaries* (A-04-98-64002), December 6, 1999; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved* (A-04-98-62001), March 8, 2000.

d. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor* (A-02-95-00002), June 20, 1997; *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671* (A-13-98-51041), September 24, 1999; *Waivers Granted for Title II Overpayment Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997* (A-77-99-00014), November 1, 1999.

## ***Reports With Questioned Costs for the Reporting Period April 1, 2000 Through September 30, 2000***

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	5 <sup>a</sup>	\$78,619,601	\$43,898
B. Which were issued during the reporting period.	4 <sup>b</sup>	\$76,883,244 <sup>c</sup>	\$0
<b>Subtotal (A+B)</b>	<b>9</b>	<b>\$155,502,845</b>	<b>\$43,898</b>
<b>Less:</b>			
C. For which a management decision was made during the reporting period:	4 <sup>d</sup>	\$74,354,038	\$43,898
i. Dollar value of disallowed costs.	4 <sup>e</sup>	\$74,352,883	\$32,065
ii. Dollar value of costs not disallowed.	2 <sup>f</sup>	\$1,155	\$11,833
D. For which no management decision had been made by the end of the reporting period.	5 <sup>g</sup>	\$81,148,807	\$0

a. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor (A-02-95-00002), June 20, 1997; Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671 (A-13-98-51041), September 24, 1999; Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005), September 27, 1999; School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999; Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997 (A-77-99-00014), November 1, 1999.*

b. See Reports with Questioned Costs on page 190 of this report.

c. This amount is subject to change since the value questioned for the *Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998 (A-77-00-00006)*, August 31, 2000, has not yet been determined.

d. Two reports contained dollars that were disallowed and dollars not disallowed.

e. *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671 (A-13-98-51041), September 24, 1999; School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999; Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997 (A-77-99-00014), November 1, 1999; Payments To Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled (A-09-99-63008), May 18, 2000.*

f. *Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671 (A-13-98-51041), September 24, 1999; Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997 (A-77-99-00014), November 1, 1999.*

g. *Review of Administrative Costs Claimed for Fiscal Year 1994 by the New Jersey Department of Labor (A-02-95-00002), June 20, 1997; Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005), September 27, 1999; Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018 (A-15-00-23004), August 14, 2000; Identification of Fugitives Receiving Supplemental Security Income Payments (A-01-98-61013), August 28, 2000; Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998 (A-77-00-00006), August 31, 2000.*

## ***Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period October 1, 1999 Through March 31, 2000***

The following charts summarize SSA's responses to our recommendations that funds be put to better use through cost avoidances, budget savings, etc.

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	7 <sup>a</sup>	\$269,716,442
B. Which were issued during the reporting period.	4 <sup>b</sup>	\$170,516,955 <sup>c</sup>
<b>Subtotal (A+B)</b>	<b>11</b>	<b>\$440,233,397</b>
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	6 <sup>d</sup>	\$178,119,695
(b) Based on proposed legislative action.	1 <sup>e</sup>	\$125,000,000
<b>Subtotal (a+b)</b>	<b>7</b>	<b>\$303,119,695</b>
ii. Dollar value of costs that were not agreed to by management.	4 <sup>f</sup>	\$99,695,976
<b>Subtotal (i+ii)</b>	<b>11</b>	<b>\$402,815,671</b>
D. For which no management decision had been made by the end of the reporting period.	1 <sup>g</sup>	\$37,417,726

a. *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999.

b. See Reports with Funds Put to Better Use on page 191 of this report.

c. This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997. SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

d. *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions* (A-01-98-61010), December 20, 1999; *The Social Security Administration's Procedures for Presumptive Disability Payments* (A-01-98-21005), March 2, 2000; *The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved* (A-04-98-62001), March 8, 2000.

e. See footnote c.

f. *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999; *Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases* (A-01-99-61001), March 14, 2000.

g. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999.

***Reports With Recommendations That Funds Be Put to Better Use for the Reporting Period April 1, 2000 Through September 30, 2000***

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1 <sup>a</sup>	\$37,417,726
B. Which were issued during the reporting period.	5 <sup>b</sup>	\$1,120,291,990 <sup>c</sup>
<b>Subtotal (A+B)</b>	<b>6</b>	<b>\$1,157,709,716</b>
C. For which a management decision was made during the reporting period.		
i. Dollar value of recommendations that were agreed to by management.		
(a) Based on proposed management action.	5 <sup>d</sup>	\$955,645,106
(b) Based on proposed legislative action.	1 <sup>e</sup>	\$125,000,000
<b>Subtotal (a+b)</b>	<b>6</b>	<b>\$1,080,645,106</b>
ii. Dollar value of costs that were not agreed to by management.	0	\$0
<b>Subtotal (i+ii)</b>	<b>6</b>	<b>\$1,080,645,106</b>
D. For which no management decision had been made by the end of the reporting period.	2 <sup>f</sup>	\$77,064,610

a. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999.

b. See Reports with Funds Put to Better Use on page 191 of this report.

c. These dollars include additional amounts recognized by SSA that relate to audit reports issued in prior reporting periods. SSA performed an analysis on a universe of 112,230 workers' compensation cases in response to our report entitled, *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 30, 1998; SSA estimated about \$1.331 billion in payment errors, which is \$804,300,000 more than the OIG cited in its report. Also, SSA estimated an additional cost avoidance of \$125 million, semiannually, relating to OIG reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997.

d. *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 30, 1998; *Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121* (A-01-98-61014), May 12, 2000; *Identification of Fugitives Receiving Supplemental Security Income Payments* (A-01-98-61013), August 28, 2000; *Conversion of Benefits for Spouses After the Death of a Wage Earner* (A-09-99-62009), September 27, 2000; *Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments* (A-05-98-21002), September 28, 2000.

e. See footnote c.

f. *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives* (A-01-00-10014), August 29, 2000.

# Reports Issued from October 1, 1999 Through September 30, 2000

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## *Reports With Nonmonetary Findings*

<b>Date Issued</b>	<b>Title</b>	<b>Report Number</b>
November 9, 1999	Review of Internal Controls Over the Processing of One-Check-Only Payments (CONFIDENTIAL)	A-05-97-61001
November 19, 1999	Audit of the Social Security Administration's Fiscal Year 1999 Financial Statements	A-15-99-51008
November 22, 1999	Performance Measure Review: Survey of the Sources of the Social Security Administration's Performance Measure Data	A-02-98-01004
November 22, 1999	Selected Procedures Used in the Social Security Administration's Asbestos Management Program for Its Main Complex	A-13-98-91026
November 26, 1999	Beneficiaries Expressing Interest in Vocational Rehabilitation Services Through a Continuing Disability Review Mailer	A-01-97-61004
November 26, 1999	Audit of Quality Review Process at the Office of Central Operations	A-03-97-31002
November 29, 1999	Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Plan	A-02-99-03007
December 20, 1999	Performance Measure Review: Reliability of the Data Used to Measure the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays	A-02-98-01001
January 3, 2000	Support Services for Contingency Planning at the Social Security Administration's National Computer Center (CONFIDENTIAL)	A-13-98-12039
January 6, 2000	Single Audit of the State of New York for the Fiscal Year Ended March 31, 1997	A-77-00-00001
January 19, 2000	The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies	A-08-98-41007
January 31, 2000	Management Advisory Report: The Social Security Administration's Warning Banner Implementation	A-13-98-12041
February 7, 2000	The Social Security Administration's Earnings Suspense File Tactical Plan and Efforts to Reduce the File's Growth and Size	A-03-97-31003
March 1, 2000	Performance Measure Review: Reliability of the Data Used to Measure Welfare Reform Childhood Disability Reviews	A-01-99-91003
March 20, 2000	Performance Measure Review: Reliability of the Data Used to Measure Social Security Number Request Processing	A-02-99-01009

Date Issued	Title	Report Number
March 20, 2000	Performance Measure Review: Reliability of the Data Used to Measure Representative Payee Actions	A-02-99-01010
March 20, 2000	Performance Measure Review: Reliability of the Data Used to Measure Personal Earnings and Benefit Estimate Statement Processing	A-02-99-01011
March 20, 2000	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Supplemental Security Income Aged Claims Processing	A-02-99-11005
March 21, 2000	Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Old-Age and Survivors Insurance Claims Processing	A-02-99-11006
March 21, 2000	Performance Measure Review: Reliability of the Data Used to Measure the Posting of Earnings Items	A-02-99-01008
March 21, 2000	Performance Measure Review: Summary of PricewaterhouseCoopers', LLP Review of the Social Security Administration's Performance Data	A-02-00-20024
April 28, 2000	Second Annual Audit of the MOU Between SSA and DOL/ESA/DCMWC's Program on Handling Part B Black Lung Claims Final Letter Report No. 17-00-009-04-433	A-15-00-20037
June 5, 2000	PricewaterhouseCoopers LLP Management Letter, Parts 1 and 2 on the Audit of the Fiscal Year 1999 Financial Statements of the Social Security Administration	A-15-00-20048
June 19, 2000	Review of the Social Security Administration's Internal Controls over International Merchant Purchase Authorization Card Payments	A-13-97-91018
June 28, 2000	Performance Measure Review: Reliability of the Data Used to Measure Continuing Disability Reviews	A-01-99-91002
June 30, 2000	Social Security Administration's Suitability Program for Employees and Contractors (CONFIDENTIAL)	A-14-99-12006
July 7, 2000	Single Audit of the State of Texas for the Fiscal Year Ended August 31, 1998	A-77-00-00002
July 13, 2000	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1998	A-77-00-00003
July 28, 2000	Improving the Usefulness of the Social Security Administration's Death Master File	A-09-98-61011
July 28, 2000	Performance Measure Review: Reliability of the Data Used to Measure the Social Security Administration's Debt Collection	A-15-99-51006
August 4, 2000	Office of Hearings and Appeals Time and Attendance Policies and Procedures at Hearing Offices	A-06-98-91010
August 7, 2000	Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 1998	A-77-00-00004
August 14, 2000	Inspection of the Embassy Sanaa, Yemen	A-77-00-00005

Date Issued	Title	Report Number
August 25, 2000	Status of the Social Security Administration's Updates to the Medical Listings	A-01-99-21009
August 31, 2000	Single Audit of the State of Louisiana for the Fiscal Year Ended June 30, 1998	A-77-00-00007
August 31, 2000	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 1998	A-77-00-00008
September 14, 2000	Effectiveness of Internal Controls in the Modernized Enumeration System	A-08-97-41003
September 15, 2000	Management Advisory Report: Administration of TOP SECRET at the National Computer Center (CONFIDENTIAL)	A-14-99-11001
September 15, 2000	Single Audit of the State of Minnesota for the Fiscal Year Ended June 30, 1998	A-77-00-00009
September 15, 2000	Single Audit of the State of New York for the Fiscal Year Ended March 31, 1998	A-77-00-00010
September 15, 2000	Single Audit of the State of Delaware for the Fiscal Year Ended June 30, 1998	A-77-00-00011
September 19, 2000	Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications	A-08-98-41009
September 19, 2000	Status of Social Security Administration's Implementation of Selected Recommendations Reported in the Fiscal Year 1998 Management Letter - Part 2	A-15-99-52020
September 20, 2000	Single Audit of the State of Rhode Island for the Fiscal Year Ended June 30, 1999	A-77-00-00012
September 20, 2000	Single Audit of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1999	A-77-00-00013
September 22, 2000	Management Advisory Report: State Fiscal Year 1997 Single Audit Findings: Roll-up Report	A-07-99-84007
September 28, 2000	Controls Over Administrative Law Judges' Decisions (CONFIDENTIAL)	A-06-00-10026
September 28, 2000	Performance Measure Review: Reliability of the Data Used to Measure Social Security Administration Employee Satisfaction with the Level of Security at Their Facility	A-13-00-10025
September 28, 2000	Management Advisory Report: Implementation of the Social Security Administration's Integrated Human Resources System	A-14-99-92009
September 29, 2000	Management Advisory Report: Contact Stations	A-04-99-01001
September 29, 2000	Payment Accuracy Task Force: Title II Relationship and Dependency	A-16-00-10040

***Reports With Questioned Costs for the Reporting Period October 1, 1999  
Through September 30, 2000***

<b>Date Issued</b>	<b>Title</b>	<b>Report Number</b>	<b>Dollar Amount</b>
November 1, 1999	Single Audit of the Arkansas Disability Determination Services for the Fiscal Year Ended September 30, 1997	A-77-99-00014	\$5,329
December 6, 1999	Workers' Compensation Unreported by Social Security Beneficiaries	A-04-98-64002	\$85,843
March 8, 2000	The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved	A-04-98-62001	\$17,238
May 18, 2000	Payments to Child Beneficiaries Age 18 or Over Who Were Neither Students Nor Disabled	A-09-99-63008	\$435,282
August 14, 2000	Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018	A-15-00-20034	\$29,494
August 28, 2000	Identification of Fugitives Receiving Supplemental Security Income Payments	A-01-98-61013	\$76,418,468
August 31, 2000	Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998	A-77-00-00006	To Be Determined
<b>TOTAL</b>			<b>\$76,991,654</b>



***Reports With Funds Put to Better Use for the Reporting Period  
October 1, 1999 Through September 30, 2000***

<b>Date Issued</b>	<b>Title</b>	<b>Report Number</b>	<b>Dollar Amount</b>
December 20, 1999	The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions	A-01-98-61010	\$1,977,891
March 2, 2000	The Social Security Administration's Procedures for Presumptive Disability Payments	A-01-98-21005	\$713,156
March 8, 2000	The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases when Workers' Compensation Payments were Involved	A-04-98-62001	\$33,852,529
March 14, 2000	Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases	A-01-99-61001	\$8,973,379
May 12, 2000	Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121	A-01-98-61014	\$38,744,244
August 28, 2000	Identification of Fugitives Receiving Supplemental Security Income Payments	A-01-98-61013	\$29,856,060
August 29, 2000	Old-Age, Survivors and Disability Insurance Benefits Paid to Fugitives	A-01-00-10014	\$39,646,884
September 27, 2000	Conversion of Benefits for Spouses After the Death of a Wage Earner	A-09-99-62009	\$22,300,000
September 28, 2000	Review of Controls Over Processing Income Alerts Which Impact Supplemental Security Income Payments	A-05-98-21002	\$60,444,802
<b>TOTAL</b>			<b>\$236,508,945</b>



# Appendices

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# Appendix A

## *Government Performance and Results Act Work Plan*

We continually update our 3-year work plan to review the Social Security Administration's (SSA) implementation of the Government Performance and Results Act (GPRA) of 1993. The plan is based on SSA's Fiscal Year (FY) 2000, Revised Final FY 2000, and FY 2001 Annual Performance Plans, which established the following broad strategic goals. The complete text of SSA's Strategic Plan can be found on the internet at [www.ssa.gov](http://www.ssa.gov).

- Goal 1: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation
- Goal 2: To deliver customer-responsive, world-class service
- Goal 3: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse
- Goal 4: To be an employer that values and invests in each employee
- Goal 5: To strengthen public understanding of the Social Security programs

Each of these strategic goals has supporting objectives and corresponding performance indicators and goals.

The following is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future annual performance plans, we will adjust our work plan accordingly.

### *FY 1999 – Completed Reviews*

In FY 1999, we conducted performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2000 Annual Performance Plan.

<b>Strategic Goal: To deliver customer-responsive, world-class service</b>	
<b>Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of SSA's core business customers rating SSA's overall service as excellent, very good, or good	88
Percent of SSA's core business customers rating SSA's overall service as excellent	37
Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good	82

<b>Objective: To raise the number of customers who receive service and payments on time</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of original and replacement Social Security number (SSN) cards issued within 5 days of receiving all necessary information	97

## ***FY 2000 – Completed Reviews***

In FY 2000, we completed a survey of the data sources SSA uses to produce its performance data and a review of the FY 2000 Annual Performance Plan. We also completed performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2000 and Revised Final FY 2000 Annual Performance Plans.

<b>Strategic Goal: To deliver customer-responsive, world-class service</b>	
<b>Output Measures for Major Budgeted Workloads</b>	
Retirement Survivors Insurance claims processed	3,134,800
Supplemental Security Income (SSI) aged claims processed	144,200
SSN requests processed	16,300,000

<b>Objective: To raise the number of customers who receive service and payments on time</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of Old-Age and Survivors Insurance (OASI) claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later	83
Percent of initial SSI aged claims processed within 14 days of filing date	66

<b>Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse</b>	
<b>Output Measures for Major Budgeted Workloads</b>	
Continuing Disability Reviews (CDR) processed	1,804,000
Annual Earnings postings	258,900,000
Representative Payee actions	6,990,600

<b>Objective: To make benefit payments in the right amount</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Dollar accuracy of OASI payment outlays:	
Percent without overpayments	99.8
Percent without underpayments	99.8

**Objective: To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of wage items posted to individuals' records by September 30	98

**Objective: To increase debt collections by 7 percent annually through 2002**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Old-Age, Survivors and Disability Insurance (OASDI) debt collected	\$1,274.9 million
SSI debt collected	\$684.8 million

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

**Objective: To provide a physical environment that promotes the health and well-being of employees**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of employees reporting they are satisfied with the level of security in their facility	75

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

**Objective: By 2005, 9 out of 10 customers will be knowledgeable about the Social Security programs in 5 important areas**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of individuals issued SSA-Initiated Personal Earnings and Benefit Estimate Statement as required by law	100

## ***FY 2001 – Planned Reviews***

In FY 2001, we plan to conduct performance measure reviews of:

- SSA's FY 1999 and FY 2000 Annual Performance Report, and
- SSA's FY 2001 and 2002 Annual Performance Plan.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals from SSA's FY 2001 Annual Performance Plan.

<b>Strategic Goal: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation</b>	
<b>Objective: Provide information for decisionmakers and others on the Social Security and SSI programs through objective and responsive research, evaluation, and policy development</b>	
Performance Indicator	FY 2001 Goal
Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness	Establish a baseline

<b>Objective: To promote policy changes, based on research and evaluation analysis, that shape the disability program in a manner that increases self-sufficiency and takes account of changing needs based on the medical, technological, demographic, job market, and societal trends</b>	
Performance Indicator	FY 2001 Goal
Increase in number of Disability Insurance adult worker beneficiaries who begin a trial work period	10 percent
Increase in the number of SSI disabled beneficiaries, aged 18-64, participating in 1619(a)	10 percent

<b>Strategic Goal: To deliver customer-responsive, world-class service</b>	
<b>Output Measures for Major Budgeted Workloads</b>	
Initial disability claims processed	2,057,000
Hearings processed	582,000
800-number calls handled	57,000,000

<b>Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent</b>	
Performance Indicator	FY 2001 Goal
Percent of employers rating SSA's overall service as excellent, very good, or good	94
Percent of employers rating SSA's overall service as excellent	16
Percent of callers who successfully access the 800-number within 5 minutes of their first call	92



**Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good, or excellent, with most rating it excellent**

<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of callers who get through to the 800-number on their first attempt	86
Percent of public with an appointment waiting 10 minutes or less	85
Percent of public without an appointment waiting 30 minutes or less	70
Percent of 800-number calls handled accurately:	
Service accuracy	90
Payment accuracy	95

**Objective: To raise the number of customers who receive service and payments on time**

<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Initial disability claims average processing (days)	117
Hearings average processing time (days)	208

**Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse**

<b>Output Measures for Major Budgeted Workloads</b>	
SSI nondisability redeterminations	2,050,500

**Objective: To make benefit payments in the right amount**

<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Disability Determination Services net decisional accuracy rate	97
Percent of SSNs issued accurately	99.8
Office of Hearings and Appeals decisional accuracy rate	87

**Objective: To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records**

<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of earnings posted correctly	99

<b>Objective: To become current with Disability Insurance and SSI CDR requirements by 2002</b>	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of multi-year (FY 1996 - 2002) CDR plan completed	83

<b>Objective: To aggressively deter, identify, and resolve fraud</b>	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Number of investigations conducted (i.e. closed)	8,000
OASDI dollar amounts reported from investigative activities	\$55 million
SSI dollar amounts reported from investigative activities	\$90 million
Number of criminal convictions	2,500

<b>Strategic Goal: To be an employer that values and invests in each employee</b>	
<b>Objective: To promote an Agency culture that successfully incorporates our values</b>	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Create Agency change strategy	Implement strategy

<b>Objective: To create a workforce to service SSA's diverse customers in the 21st century</b>	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Complete Agency plan for transitioning to the workforce of the future	Implement and update transition plan  Develop and implement action items from employee survey

<b>Strategic Goal: To strengthen public understanding of the Social Security programs</b>	
<b>Objective: By 2005, 9 out of 10 Americans will be knowledgeable about the Social Security programs in 5 important areas</b>	
<b>Performance Indicator</b>	<b>FY 2001 Goal</b>
Percent of public who are knowledgeable about Social Security programs	70 percent

# Appendix B

## *Reporting Requirements Under the Omnibus Consolidated Appropriations Act for Fiscal Year 1997*

To meet the requirement of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report requisite data for Fiscal Year 2000 from the Offices of Investigations and Audit.

We are reporting \$30,037,959 in Social Security Administration (SSA) funds as a result of our Office of Investigations activities in this reporting period. These funds are broken down in the table below.

Types of Funds	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>Court-Ordered Restitution</b>	\$3,245,187	\$3,376,445	\$3,225,008	\$3,679,643	\$13,526,283
<b>Scheduled Recoveries</b>	\$2,798,573	\$2,672,431	\$3,827,351	\$3,423,780	\$12,722,135
<b>Fines</b>	\$935,189	\$265,455	\$1,067,478	\$179,320	\$2,447,442
<b>Settlements/Judgments</b>	\$148,570	\$709,917	\$263,173	\$220,439	\$1,342,099
<b>TOTALS</b>	<b>\$7,127,519*</b>	<b>\$7,024,248*</b>	<b>\$8,383,010</b>	<b>\$7,503,182</b>	<b>\$30,037,959</b>
*Figures updated from our prior semiannual report.					

SSA management has informed the Office of Audit that it has completed implementing recommendations from 5 audit reports during this fiscal year valued at \$16.2 million.

### *The Social Security Administration's Procedures for Presumptive Disability Payments (A-01-98-21005), March 2, 2000*

We recommended that SSA remind staff to follow SSA's guidance in approving presumptive disability/presumptive blindness payments so that such allowances are based on appropriate evidence. The implemented recommendation is valued at \$713,000.

### *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination (A-13-98-51007), September 24, 1999*

We recommended that SSA instruct the State of Ohio Rehabilitative Services Commission to require the Ohio State Bureau of Disability Determination to amend its Forms SSA-4513 by a \$28,895 increase, \$871,223 decrease, and \$266,800 decrease for Fiscal Years 1995, 1996, and 1997, respectively, to adjust obligations. The implemented recommendation is valued at \$1.2 million.

### *The Social Security Administration's Controls over Impairment-Related Work Expense Income Exclusions (A-01-98-61010), December 20, 1999*

We recommended that SSA emphasize to its employees the importance of following established policies and procedures to verify and document the need and payment for items or services before approving impair-

ment-related work expense income exclusions. The implemented recommendation is valued at \$1.98 million.

***Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy (A-01-98-62012), March 3, 1999***

We recommended that SSA ensure that erroneous childhood continuances are reviewed by identifying questionable continuation cases and updating the profile of

these cases to expedite the next scheduled full medical continuing disability review. The implemented recommendation is valued at \$9.47 million.

***Southwest Tactical Operation Plan: Investigative Results (A-06-97-22008), March 31, 1998***

We recommended that SSA develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status. The implemented recommendation is valued at \$2.9 million.

# Appendix C

## *Collections From Audits and Investigations*

The Fiscal Year (FY) 1999 appropriations language for this office requires the reporting of additional information concerning actual collections and offsets achieved as a result of Inspector General activities. Figures are to be provided for each semiannual period and as a cumulative number.

### Office of Audit

Fiscal Year	Number of Reports With Questioned Costs	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or Recovered	Amount Written Off/Adjustments	Balance
<b>1997</b>	6	\$3,964,487	\$3,377,089	\$3,372,181	\$4,908	\$587,398
<b>1998</b>	10	\$14,661,078	\$13,986,131	\$14,482,081	\$1,625,977	\$390,625
<b>1999</b>	10	\$83,989,044	\$78,341,141	\$4,339,292	\$1,305,397	\$78,344,355
<b>2000</b>	7	\$76,991,654	\$542,537*	\$4,174	\$1,155	\$76,986,325**
<b>TOTALS</b>	<b>33</b>	<b>\$179,606,263</b>	<b>\$96,246,898</b>	<b>\$22,197,728</b>	<b>\$2,937,437</b>	<b>\$156,308,703</b>

\*The Social Security Administration has not yet made a management decision for *Costs Claimed by American Institutes for Research on the Social Security Administration's Contract Number 600-97-32018* (A-15-00-20034), August 14, 2000; *Identification of Fugitives Receiving Supplemental Security Income Payments* (A-01-98-61013), August 28, 2000; and *Single Audit of the State of Mississippi for the Fiscal Year Ended June 30, 1998* (A-77-00-00006), August 31, 2000. These recommendations are valued at \$76,447,962.

\*\*Although no management decision has been made for several of the FY 2000 recommendations (see note above), the recommended amounts are included in the FY 2000 balance figure because the balance is independent of management concurrence.

## Office of Investigations

**Table 1: Court Ordered Collections as the Result of Prosecution by the Department of Justice**

Fiscal Year	Total Number of Individuals Assigned Court Ordered Restitution	Court Ordered Restitution for This Period	Total Restitution Collected by the Department of Justice for This Period
1999	447	\$13,100,203	\$1,292,954
2000	441	\$13,526,283	\$2,232,424
<b>TOTALS</b>	<b>Not Applicable</b>	<b>\$26,626,486</b>	<b>\$3,525,378</b>

**Table 2: Funds Received Based on Recovery Actions**

Fiscal Year	Number of Recovery Actions Initiated	Amount Scheduled for Recovery	Actual Amount Recovered at the Close of the Investigation
1999	1,624	\$25,725,385	\$3,326,913
2000	445	\$12,722,135	\$4,320,432
<b>TOTALS</b>	<b>2,069</b>	<b>\$38,447,520</b>	<b>\$7,647,345</b>

# Appendix D

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## *Significant Monetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed*

### *School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999*

Recommendation: We recommended that the Social Security Administration (SSA) request assistance from school officials in identifying and reporting changes in student attendance which may affect their benefit status.

Valued at: \$140,359,563 in funds put to better use and \$73,907,760 in questioned costs.

Agency Response: SSA agreed that its monitoring of school attendance for child beneficiaries over age 18 could be more efficient with additional assistance from the school.

Corrective Action: SSA has redesigned the process for student benefits and has incorporated the recommendation. Implementation will begin mid-2001. In the redesigned process, field offices will review, verify, and retain school attendance information.





# Appendix E

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## ***Significant Nonmonetary Recommendations From Prior Fiscal Years for Which Corrective Actions Have Not Been Completed***

### ***Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items (A-03-98-31009), September 29, 1999***

**Recommendation:** We recommended that the Social Security Administration (SSA) develop and implement a corrective action plan for the 100 employers who are responsible for large numbers of suspended wage items and continue its current efforts to contact them.

**Agency Response:** SSA agrees that corrective action should be taken.

**Corrective Action:** SSA is in its third year of contacting the 100 employers with large numbers of suspended wage items. They plan to continue these efforts as a way of educating these employers of the importance of submitting accurate wage reports.

### ***School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999***

**Recommendation:** We recommended that SSA evaluate the feasibility of shifting the responsibility for monitoring student beneficiaries from the program service centers to the field offices.

**Agency Response:** SSA agreed to evaluate the recommendation as they proceed with the redesign process.

**Corrective Action:** As part of the redesign effort, the Agency plans to focus on the front-end of the process and to contact schools prior to awarding student benefits. In its latest status report, the Agency stated that the proposal would be released shortly.

### ***Nonresponder Representative Payee Alerts for Supplemental Security Income Recipients (A-09-96-62004), September 23, 1999***

**Recommendation:** We recommended that SSA develop procedures for employees to redirect benefit checks to field offices (FO) (and require representative payees to provide the accounting forms before releasing checks) in instances where other attempts to obtain the required forms have been unsuccessful.

**Agency Response:** SSA agreed, in part. When a representative payee does not respond or will not cooperate after repeated attempts to obtain an annual accounting, the FO is required to consider a change of payee when necessary. When the FO determines that a change of payee is necessary, they develop for a successor payee. If a payee is not readily available, the beneficiary is paid directly or placed in suspense status under certain limited circumstances.

**Corrective Action:** SSA will examine changing procedures to allow employees to redirect benefit checks to the FO if it is in the best interest of the beneficiary. SSA will convene a workgroup to determine who the representative payees are that are not returning the annual accounting forms, including their relationship to the beneficiary and their compliance history, and to research what legal/statutory authority the Agency could use to put any revised procedures into place.

### ***The Social Security Administration's Procedures to Identify Representative Payees Who are Deceased (A-01-98-61009), September 22, 1999***

**Recommendation:** We recommended that SSA routinely match the Death Master File against the Master Representative Payee File to identify deceased representative payees and select new representative payees for all beneficiaries and/or recipients affected.

**Agency Response:** SSA agrees with the intent of the recommendation, that is, to identify all cases where a representative payee has died so that the appropriate payee change can be taken. SSA believes that the actions envisioned in the Agency's Enumeration/Client 5-year Systems Plan will address the issue of better identifying representative payees who die. These actions include automatic checks of the Master Representative Payee File when a report of death from a third party is keyed into the Death Master File and new screens to reconcile discrepancies between data bases with a single input.

Corrective Action: Beginning in December, SSA plans to develop a schedule which will contain completion dates and milestones.

***Early Alert: Disclosure of Personal Information on Representative Payees (A-01-99-82008), January 21, 1999 (CONFIDENTIAL MEMORANDUM)***

Recommendation: SSA should verify the death information for the 6,004 representative payees our match shows as deceased on the Death Master File but currently serving as representative payees for beneficiaries on the Master Beneficiary Record and the Supplemental Security Record.

Agency Response: The Agency has not yet issued a management decision.

Corrective Action: Corrective action has not yet been reported.

***Special Joint Vulnerability Review of the Supplemental Security Income Program (A-04-95-06020), December 16, 1997***

Recommendation: We recommended that SSA modify the Supplemental Security Income Display to include additional comments or codes for the identification of

potential fraud/abuse cases, subject to SSA's evaluation of the most advantageous method of presentation on the Supplemental Security Income Display.

Agency Response: The Agency agreed to implement this recommendation only if the Office of the General Counsel (OGC) found no legal problems.

Corrective Action: OGC's opinion raises several concerns, and confirms that developing a code or remarks based on "potential" or "suspected" fraud/abuse would leave SSA open to civil action. There is no pending legislation that would alter their assessment. As an alternative, SSA requires the Disability Determination Services (DDS) to insert a list code in any record for which there is a finding of fraud or similar fault. In addition, the Agency has asked the Office of the Inspector General's (OIG) Office of Investigations to determine what other public and private data exist based on findings of wrongful activity. If OIG were to find that such information is available, we would then work with OIG and the Office of Systems to develop a way to make it accessible to field employees. In the interim, instructions encourage the DDSs to maintain local lists of problem cases.

# Appendix F

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## ***Significant Management Decisions With Which the Inspector General Disagrees***

### ***Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications (A-08-98-41009), September 19, 2000***

We recommended that the Social Security Administration (SSA) obtain independent verification from the issuing Agency for all alien evidentiary documents before approving the respective Social Security number (SSN) applications, until the Enumeration at Entry program is implemented.

We recommended that SSA propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work or reside in the United States.

### ***Effectiveness of Internal Controls in the Modernized Enumeration System (A-08-97-41003), September 14, 2000***

We recommended that SSA require field office (FO) management to perform periodic quality reviews of

processed Earnings Modernization (EM) transactions and provide appropriate feedback and related training to FO personnel.

We recommended that SSA require FO personnel to document the basis of all resolution actions taken on EMs for an appropriate period of time to facilitate management review.

### ***Social Security Administration's Suitability Program for Employees and Contractors (A-14-99-12006), June 30, 2000 (CONFIDENTIAL)***

We recommended that SSA centralize the suitability program under a single Deputy Commissioner.

### ***Review of Internal Controls Over the Processing of One-Check-Only Payments (A-05-97-61001), November 9, 1999 (CONFIDENTIAL)***

We recommended that SSA develop guidelines to maintain One-Check-Only payment authorization forms in the case folders.



# How to Report Fraud

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The Social Security Administration's (SSA) Fraud Hotline offers a convenient means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA Fraud Hotline.

## *Call*

1-800-269-0271

## *Write*

Social Security Administration  
Office of the Inspector General  
Attention: SSA Fraud Hotline  
P.O. Box 17768  
Baltimore, MD 21235

(FAX) 410-597-0118

## *E-mail*

[oig.hotline@ssa.gov](mailto:oig.hotline@ssa.gov)



# Glossary of Acronyms

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## A

ACPI	Appeals Council Process Improvement Plan
ACSS	Annual Customer Satisfaction Survey
AFDC	Aid to Families with Dependent Children
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
ALP	Advanced Leadership Program
AMD	Allegation Management Division
APP	Annual Performance Plan
APR	Annual Performance Report
AWR	Annual Wage Report

## B

BL	Black Lung
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## C

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CE	Consultative Examination
CHIP	Customer Help and Information Program
CID	Critical Infrastructure Division
CISSP	Certified Information System Security Practitioner
CMP	Civil Monetary Penalty
COLA	Cost-of-Living Adjustment
CPI	Consumer Price Index
CPS	Current Population Survey
CSRS	Civil Service Retirement System
CY	Calendar Year

## D

DAA	Drug Addiction and/or Alcoholism
DDS	Disability Determination Service
DI	Disability Insurance
DOL	Department of Labor
DRI	Disability Research Institute

## E

EM	Earnings Modernization
ESF	Earnings Suspense File
ETA	Electronic Transfer Account

## F

FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FTC	Federal Trade Commission
FY	Fiscal Year

## G

GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
GDP	Gross Domestic Product
GPR	Government Performance and Results Act
GSA	General Services Administration

## H

HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
HIPAA	Health Insurance Portability and Accountability Act of 1996
HPI	Hearings Process Improvement

## I

ICT	Immediate Claims Taking
IDD	International Direct Deposit
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
IVT/IDL	Interactive Video Training/Interactive Distance Learning

## L

LAE	Limitation on Administrative Expenses
LAN	Local Area Network
LDP	Leadership Development Program

**M**

MAR Management Advisory Report  
 MBR Master Beneficiary Record  
 MD&A Management's Discussion and Analysis  
 MI Management Information  
 MIIM Management Information Integrity Monitoring Team

**N**

NA Not Available  
 NCC National Computer Center  
 NHSPCS National Health and Safety Partnership Committee on Security  
 NIST National Institute of Standards and Technology

**O**

OA Office of Audit  
 OASDI Old-Age and Survivors and Disability Insurance  
 OASI Old-Age and Survivors Insurance  
 OCIG Office of the Counsel to the Inspector General  
 OGC Office of the General Counsel  
 OHA Office of Hearings and Appeals  
 OI Office of Investigations  
 OIG Office of the Inspector General  
 OIG/OA Office of the Inspector General/Office of Audit  
 OMB Office of Management and Budget  
 OPM Office of Personnel Management

**P**

PEBES Personal Earnings and Benefit Estimate Statement  
 PIA Primary Insurance Amount  
 P.L. Public Law  
 PSC Program Service Center  
 PUMS Public Understanding Measurement System  
 PwC PricewaterhouseCoopers LLP

**R**

RO Regional Office  
 RRB Railroad Retirement Board  
 RRI Railroad Retirement Interchange  
 RSDI Retirement, Survivors and Disability Insurance  
 RSI Retirement and Survivors Insurance

**S**

SECA Self-Employment Contributions Act  
 SES Senior Executive Service  
 SGA Substantial Gainful Activity  
 SIPP Survey of Income and Program Participation  
 SMART Security Management Action Report  
 SSA Social Security Administration  
 SSI Supplemental Security Income  
 SSN Social Security Number  
 SSR Supplemental Security Record

**T**

TOP Treasury Offset Program  
 TRO Tax Refund Offset  
 TSR Teleservice Representative  
 TWP Trial Work Period

**U**

URL Uniform Resource Locator  
 USDA U.S. Department of Agriculture  
 USMS U.S. Marshals Service

**W**

WC Workers' Compensation



# ***ADDENDUM***



January 17, 2001

The Honorable Kenneth S. Apfel  
Commissioner of Social Security

Dear Mr. Apfel:

In November 2000, the President signed the Reports Consolidation Act of 2000, which requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing the agencies and the agencies' progress in addressing them. This document, which is an amendment to the "Social Security Performance and Accountability Report for Fiscal Year 2000," responds to these new requirements.

In December 1999, we identified the following 10 significant management issues facing the Social Security Administration (SSA) for Fiscal Year (FY) 2000:

**SOLVENCY**

**SYSTEMS SECURITY & CONTROLS**

**PROGRAM COMPLEXITY**

**FRAUD RISK**

**GPRA**

**DISABILITY REDESIGN**

**EARNINGS SUSPENSE FILE**

**SERVICE TO THE PUBLIC**

**ENUMERATION**

**IDENTITY THEFT**

During FY 2000, SSA took action to address these issues, many of which are of a long-term nature and do not lend themselves to quick fixes. Our assessment of the status of these 10 management challenges is enclosed.

We recently issued a new list of management challenges facing SSA for FY 2001 and will provide a summary assessment on these issues in the FY 2001 “Social Security Performance and Accountability Report.”

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.", written in a cursive style.

James G. Huse, Jr.  
Inspector General of Social Security

Enclosure

**Office of the Inspector General's Assessment of  
the Social Security Administration's Progress in Addressing  
Significant Management and Performance Challenges  
Identified in December 1999**

**SOLVENCY**

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Both the Office of the Inspector General (OIG) and SSA agreed that **SOLVENCY** of the Social Security Program remains a major concern. Under current estimates, expenditures from the Trust Fund will exceed tax receipts in 2015, and tax receipts will meet approximately 72 percent of scheduled benefit payments after 2037. Ultimate action rests with the President and Congress to continue bi-partisan reform efforts to find a solution to this important national issue. However, SSA needs to be involved in these discussions and to provide valuable information to support these efforts. In FY 2000, SSA had established goals to conduct research in an effort to identify areas in which policy changes may be needed to strengthen the programs and to help policymakers address program issues. Similar goals to produce studies have been established for FY 2001, including a goal to prepare analyses on the distributional and fiscal effects of solvency proposals. Such analysis will provide decisionmakers the information necessary to assess the impacts of changes to the programs on various populations. The value of which will depend upon SSA's success in strengthening its modeling capability to project income into future years and to analyze the distributional effects of alternative policies.

**SYSTEMS SECURITY AND CONTROLS**

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While SSA successfully transitioned to Year 2000, **SYSTEMS SECURITY AND CONTROLS** remain a management challenge. It implemented recommendations we made to ensure SSA's ability to respond effectively to a disruption in business operations, and it has made notable progress to strengthen and improve controls over the protection of information and separation of duties. However, SSA still needs to complete and test disaster recovery plans for non-headquarter locations. During FY 2000, in response to Presidential Decision Directive 63 and recommendations from our audit work, SSA addressed information protection issues. It has: (1) issued security policies in accordance with Federal requirements; (2) implemented network monitoring and a process for monitoring inappropriate access to SSA mainframe computer systems; (3) strengthened physical access controls at the National Computer Center and procedures for removing systems access when no longer needed; (4) reduced vulnerabilities in the mainframe operating system; and (5) finalized accreditation and certification of systems. Despite these accomplishments, a weakness

in SSA's controls to protect its sensitive information is a reportable condition within the FY 2000 Financial Statement Audit. SSA's security framework for its network and distributed systems is weak or incomplete. While SSA has documented security goals and objectives for network and distributed systems, it needs to assess risk in those areas, issue technical guidance to help achieve the security goals and objectives, and more effectively monitor inappropriate system activity in non-headquarter locations. Congress recently passed the Government Information Security Reform Act that requires Federal agencies to examine the adequacy and effectiveness of information security policies, procedures, and practices in plans and reports relating to information resources management, among other issues. At this point in time, we have concerns as to whether SSA would be in compliance with the Act.

## **PROGRAM COMPLEXITY**

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**PROGRAM COMPLEXITY** of the Supplemental Security Income (SSI) program and the disability claims process presents a challenge to SSA's administration. SSI eligibility partly depends upon complicated determinations of self-reported income and available resources. In October 1998, SSA issued its first management report on the SSI program that detailed plans to improve payment accuracy, increase continuing disability reviews (CDR), combat fraud, and collect overpayments. We have reported about improper and inaccurate payments in the SSI program and made recommendations to simplify some of processes within it. During FY 2000, SSA implemented several of its planned initiatives. As a result, SSA reported that it met or exceeded its FY 2000 goals for CDRs, SSI dollars reported from investigative activities, and for SSI debt collected. Previous OIG work has demonstrated that weaknesses exist in the data system used to measure these goals. Information about SSI payment accuracy for FY 2000 will not be available until April 2001. SSA has also implemented initiatives to improve service delivery for disability claimants. One of these initiatives has focused on achieving consistent decisions through consistent application of law.

## **FRAUD RISK**

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**FRAUD RISK**, involving fraudulent schemes to obtain Social Security numbers (SSN), to receive retirement, disability and SSI benefits, and to handle other beneficiaries benefits, is a major concern. Fraud risk is especially problematic in SSI because of the dependence upon recipients self-reporting of changes in their income and personal circumstances that affect benefit eligibility and amounts. SSA is addressing fraud risk on numerous fronts that both seek to prevent and detect fraud, including CDRs, improvements in annual earnings postings and records maintenance, improvements to debt collection, enhanced representative payee monitoring, and expanding computer matches to detect unreported resources. In FY 2000, SSA continued to enhance existing computer matches and initiated new ones, such as access to State records on-line and access to Office of Child Support Enforcement databases to detect unreported income. SSA initiated in FY 2000, an enhanced program to conduct on-site and

financial reviews of representative payees. In addition, the OIG began to audit organizational payees as needed in response to certain “trigger” events, such as third-party reports of misuse; complaints from vendors of failure to receive payment, or failure to complete the annual accountability report. The OIG continues to play a significant role in SSA’s efforts to combat fraud. The Cooperative Disability Investigation teams, led by OI Special Agents, have been very effective in detecting and preventing SSI and disability fraud. During FY 1999 and 2000, the goals for both investigations conducted and criminal convictions, were exceeded as was SSI and Old-Age, Survivors, and Disability Insurance dollar amounts reported from investigative activities. The OIG is currently reviewing the accuracy of these performance measures.

## **GOVERNMENT PERFORMANCE AND RESULTS ACT**

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OIG reviews of SSA’s FY 1999 and 2000 Annual Performance Plans (APP) and its FY 1999 Annual Performance Report concluded that SSA demonstrates a commitment to **GPRA** and has improved the usefulness of its APPs. Recognizing the evolving nature of GPRA reporting, we believe that SSA can make future APP’s more useful to decisionmakers by continuing to develop more outcome-based measures and developing goals for those management challenges for which corrective action is measurable. For instance, SSA has no goals related to management of the Earnings Suspense File, which has continued to increase. The usefulness of any GPRA reporting is dependent upon the reliability and validity of the information agencies use to report their performance toward meeting goals. SSA recognizes that the OIG plays a vital role in assuring that the systems used to produce performance data are reliable. Consequently, the OIG initiated a 3-year effort to review all SSA’s performance measures by FY 2001. To date, OIG has completed 18 reviews that included 24 measures, and made recommendations to address weaknesses in data sources and inaccurate measurements that impact the reliability of the performance data. SSA has responded favorably to most of these recommendations. As Congress increasingly relies upon GPRA reporting to make budget decisions, SSA will have to ensure that resource use is tied to performance, and that customer’s expectations and performance goals recognize that quality must also be maintained in meeting service level objectives.

## **DISABILITY REDESIGN**

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The disability claims process has presented challenges by its complexity and SSA has been involved in a multiyear effort to improve performance in initial and appeal disability claims. Process Unification is the overarching theme for all **DISABILITY REDESIGN** initiatives, which will ensure fairness and consistency during the hearing process. For instance, in FY 2000, SSA awarded a contract to design a methodology to validate a single disability medical listing and has as a goal in FY 2001 to prepare a preliminary report on the development of the validation methodology. SSA still has to complete updating the mental disorders list. SSA also issued a report that identifies areas where improvement is needed in the

disability adjudication process, which is a major part of the **DISABILITY REDESIGN** initiative. This initiative involves achieving consistent application of law and regulation to make the correct determination as early in the claim process as possible, and to expedite the process through streamlining it. After several years of study, SSA began pilot programs in 10 States in FY 2000 that provide greater authority to the disability examiner, ensure appropriate case development, increase claimant interaction, and eliminate the reconsideration step at the Disability Determination Services offices. A related effort is the Hearings Process Improvement initiative. Pilots of this initiative were implemented in 37 hearing offices in FY 2000, and the remaining offices implemented the new process in October and November of 2000. OIG is scheduled to assess the success of the pilot initiatives in FY 2001. In addition, in FY 1999, SSA began implementation of its Electronic Disability (eDib) System that is the Agency's technological approach to automating the disability claims process. The OIG has been periodically monitoring the Electronic Service Delivery aspects of eDib through various SSA steering committees. We plan to conduct a survey of the eDib system development to assess the system for potential vulnerabilities and reporting on areas of concern. Also, as part of our continual monitoring of the eDib system we will evaluate development of the system.

## **EARNINGS SUSPENSE FILE**

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The **EARNINGS SUSPENSE FILE** (ESF) is a file of wage items and does not represent a "fund" of money. The file consists of wage items that failed to match SSA's name and SSN validation criteria. From 1937 to 1998, the ESF accumulated over 219 million W-2s and over \$291 billion in wages, with 7 million W-2s and over \$31 billion in wages added in 1998 alone. SSA has developed a Tactical Plan containing an overall strategy and several individual projects designed to reduce the rate of growth and size of the Suspense File. The changes called for in the plan are long-term, however, and several factors hinder the efforts with the most potential to reduce the Suspense File's size and growth. Our review of SSA's ESF activities disclosed that despite numerous efforts, the volume of suspended wages continues to increase. During FY 2000, SSA was finalizing projects related to providing 1) error feedback to employers on new hire reports and 2) overnight electronic name/Social Security number verification services to employers. SSA also recently brought in an outside contractor to review the content of the ESF and make recommendations on purge/archive criteria to be used to delete inactive or unidentifiable records from the suspense file. These efforts can assist in reducing both new additions to the ESF as well as the overall size of the existing ESF. Other efforts need to move forward if SSA wants to demonstrate its commitment to reducing the ESF. For example, SSA has conducted a number of meetings with the Internal Revenue Service (IRS) to ensure that penalties are assessed on employers who submit bad wage data, but as of this writing, we are not aware of any penalties that have been assessed on any of these employers. In addition, SSA recently decided to end one of its initiatives where the Agency rejected electronic media from employers if more than 50 percent of the wage reports were in error in the hopes that a more

accurate tape would be resubmitted. The lack of IRS penalties, as well as the elimination of the electronic media error threshold, highlights some of the problems facing SSA as it attempts to deal with an ever-increasing suspense file. Since we have linked SSN misuse and identity theft to the Suspense File, we believe that a timely resolution to this problem is very important.

## **SERVICE TO THE PUBLIC**

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SSA is committed to providing world-class **SERVICE TO THE PUBLIC** but it continues to be a challenge as customers' expectations increase and SSA faces downsizing and increasing workloads. A significant amount of SSA's workforce is expected to retire at the same time that SSA expects greatly increased retirement and disability workloads. Additional pressure on SSA's ability to meet customer expectations is created by budgetary, hiring, and technological limitations. In fact, in FY 2000, SSA failed to meet some of its goals that directly measure customer satisfaction. For instance, goals for the percent of core business customers rating SSA's service as excellent, very good, or good, as well as for the percent of employers rating SSA's overall service as excellent, very good, or good were not met. Further, for FY 2001, SSA lowered its goals for the number of initial disability claims processed and the percent of 800-number callers getting through on their first attempt, as well as within 5 minutes, due to reduced funding. While SSA is seeking alternative methods to provide service delivery options to the public, obstacles to client authentication to ensure confidentiality of information for on-line services have presented problems. SSA has updated its estimate on when it will be able to receive secure public inquiries on-line from FY 2000 to the end of FY 2002. OIG will continue to monitor the Agency's efforts to ensure that there is no trade-off between fraud prevention and customer service.

## **ENUMERATION**

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Through its **ENUMERATION** process, SSA issued over 17 million original and replacement SSN cards in FY 1999 to U.S. citizens and aliens. Our audit and investigative work show that some SSN applications are processed based on false documentation. We commend SSA for taking initiatives aimed at preventing the issuance of a fraudulent SSN, especially the development of software to interrupt the issuance of SSN cards in fraud-prone scenarios. However, we believe that SSA still needs to improve controls over the enumeration process. We previously recommended that SSA propose legislation that disqualifies individuals who improperly attain SSNs from receiving work credits for periods that they were not authorized to work in the United States. However, SSA believes that this proposal would be too difficult to administer. During a National Anti-Fraud Committee meeting in June 2000, we led discussions with management concerning the possibility of requiring individuals to show picture identification when doing business with SSA. The Agency believes this would go against the core philosophy that created Social Security. We continue to believe that the Agency needs to make preventative action a major priority, since fraudulent SSN



activity will increase as the SSN becomes used more and more as the universal identifier and individuals seek to hide their earnings or to work illegally.

## **IDENTITY THEFT**

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**IDENTITY THEFT**, when someone uses another's personal information without that individual's knowledge to commit a crime, became a crime itself when Congress passed the Identity Theft and Prevention Act. False identities are used to defraud SSA. For instance, unscrupulous individuals can assume the identity of another person, alive or dead, and work under the stolen SSN, while receiving disability benefits under their own SSN. Our investigative work shows that this crime is on the upswing. SSA has recognized the need to reduce its vulnerability to identity theft and has begun to focus more diligently on its prevention methods. To that end, SSA has developed initiatives aimed at detecting fraudulent birth certificates and fraudulent immigration documents. The Agency has also identified fraud-prone situations where identity theft is likely to occur. Additionally, the Agency is designing software to interrupt the issuance of SSN cards in certain scenarios that have been determined to be fraud-prone. SSA will be provided with an important tool in the fight against identify theft if Congress passes legislation that restricts the uses of SSNs. SSA continues to face the difficult challenge of balancing anti-fraud measures and achieving its goal of world-class service.