A MESSAGE FROM THE COMMISSIONER

I am pleased to present the Social Security Administration's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2009. This report describes how we managed our resources and administered our programs, highlights our FY 2009 accomplishments, and discusses key issues that will affect our future operations. The FY 2009 PAR is the first to cover a full fiscal year of operations under our FY 2008-2013 Strategic Plan (http://www.socialsecurity.gov/asp) and discusses our progress towards meeting our four ambitious strategic goals. Achievement of these goals is essential if the agency is to continue meeting the growing and changing needs of the public. I encourage you to review our FY 2009 PAR to gain an understanding of our programs and challenges, as well as gain an appreciation of the impact Social Security programs have on the people we serve.

Social Security is indispensable to the disabled, retirees, and survivors and is one of the most important Federal programs established by our country. People depend on our programs – both Social Security and Supplemental Security Income – for support at critical stages of their lives: retirement, the loss of a loved one, or the onset of disability. To meet the needs of the American public, we continuously strive to provide our numerous services as effectively and efficiently as possible.

Over the past few years, limited resources, increased workloads, and the fraying of our physical and technological infrastructure hindered our ability to address rising workloads and backlogs. Due to our country's current economic challenges and the first baby boomer retirees, our retirement and disability claims are increasing significantly as individuals need our services now more than ever. In addition, we have committed substantial resources to non-traditional Social Security workloads, including parts of the Medicare program and immigration enforcement activities. To help us address these challenges, Congress increased our budget in FY 2009 and provided us with additional funding under the *American Recovery and Reinvestment Act* (Recovery Act). The Recovery Act funding will help us process our rapidly growing disability and retirement workloads and replace our aging National Computer Center. The Recovery Act also authorized us to issue almost 53 million one-time $250 economic recovery payments totaling over $13 billion to eligible Social Security beneficiaries and Supplemental Security Income recipients to help these individuals deal with financially difficult times.

Despite a significant increase in retirement and disability workloads, the agency did reduce the hearings backlog and we are on track to eliminate this backlog by FY 2013. We employed innovations and new strategies to demonstrate our commitment to meeting the needs of the people we serve. In addition, we made critical information technology investments and further expanded our health information technology initiatives, which have already resulted in shorter-than-average claim processing times. We are focused on closing the gap between limited resources and increasing workloads by working more efficiently, increasing productivity, and streamlining workload processes.

In FY 2009, we also received, for the 16th consecutive year, an unqualified opinion on our financial statements, and our auditors reported no material instances of noncompliance with laws and regulations. I am proud to report that we have no material internal control weaknesses and that our financial and performance data in this report are reliable and complete under the Office of Management and Budget's guidance.

We look forward to working with the President, Members of Congress, and all of our stakeholders to achieve our goals. With their support, I am confident that Social Security will be able to provide world-class service for generations to come.

Michael J. Astrue
Commissioner
November 9, 2009

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SSA's *FY 2009 Performance and Accountability Report* is available on the Internet at: www.socialsecurity.gov/finance

Introduction

The Social Security Administration's Performance and Accountability Report (PAR) for FY 2009 provides financial and performance information that enables the President, Congress, and citizens to assess how we performed in terms of carrying out our mission and achieving our goals. This report is organized into the following major sections:

MANAGEMENT'S DISCUSSION AND ANALYSIS: Management's Discussion and Analysis gives an overview of our mission, organization, and strategic goals and provides a summary of the financial and performance information contained in subsequent sections of the PAR. A synopsis of our systems, controls, and legal compliance is also included as well as a discussion of our key priorities and their possible effect on the future.

PERFORMANCE SECTION: The Performance Section discusses the results we achieved during the year by presenting the status of our FY 2009 performance measures by goal and objective. Here we provide a comparison between the target goals we set for each performance measure and our actual performance during the year, including trend data where applicable.

FINANCIAL SECTION: The Financial Section contains the message from our Chief Financial Officer, our audited financial statements, the accompanying notes to those statements, and required supplementary information including the Schedule of Budgetary Resources and information on Social Insurance. This section concludes with the auditor's reports.

OTHER ACCOMPANYING INFORMATION: The Other Accompanying Information section includes the Inspector General Statement on SSA's Major Management and Performance Challenges as well as our Summary of Financial Statement Audit and Management Assurances table and a discussion on our Anti-Fraud Activities and Debt Management. The Improper Payments Information Act of 2002 Detailed Report concludes this section.

APPENDIX: The appendix includes a glossary of acronyms, a list of the agency's top management officials, the members of the Board of Trustees, and the members of the Social Security Advisory Board.

For the 11th year in a row, SSA received the AGA Certificate of Excellence in Accountability Reporting (CEAR) award for our FY 2008 Performance and Accountability Report. Being awarded the CEAR is a significant accomplishment for a Federal agency and it is the highest form of recognition in Federal financial reporting.

SOCIAL SECURITY ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and is designed to provide a high-level overview of the Social Security Administration (SSA). It provides a description of who we are, what we do, and how well we meet the goals that have been set.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. This section also discusses the major programs we administer: the Old-Age Survivors, and Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program. A brief history on how we evolved and our effect on the Nation's economic security are provided as well as a discussion of our organization.

Next, the *Overview of Our FY 2009 Goals and Results* section provides an overview of our progress in the context of the *Government Performance and Results Act of 1993* (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2009, we used 25 distinct GPRA performance measures to manage and track our progress. The performance measures focus on our most critical challenges and areas in need of improvement. A performance summary of our goals and results is provided in this section. All of the FY 2009 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the *Performance Section*. The *Overview of Our FY 2009 Goals and Results* section of the MD&A also includes a discussion on our data quality and provides an overview of procedures in effect to provide reasonable assurance that reported performance information is relevant and reliable.

The *Performance and Accountability Report* would not be complete without providing a summary of the challenges we are addressing, including current and future activities and strategies in place to deal with them. The *Achieving Our Mission* section of the MD&A defines our strategy to address the challenges and priorities we will face over the next 5 years. Also addressed in the *Achieving Our Mission* section are our Program Performance Measures that are used to evaluate the effectiveness of our programs.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. The major sources and uses of our funds, as well as the use of these resources, in terms of both program and function, are explained. As stewards of the Social Security Trust Funds, we include a discussion on the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds and indicate the projections for short-term financing and long-term financing of the OASI and DI Trust Funds.

Finally, the *Systems and Controls* section of the MD&A provides a discussion of the actions we have taken to address our management control responsibilities. The Management Assurances within this section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. Also addressed are the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

SOCIAL SECURITY BENEFITS AMERICA

Our Mission: Deliver Social Security services that meet the changing needs of the public

Throughout history, individuals and families have faced the uncertainties brought on by unemployment, illness, death, and old age. In the past, individuals could depend on family members, to the extent that the family had resources to draw upon, as a source of economic security. However, as our country moved from an agricultural society in the early 1800s to an industrialized society in the 1880s, our economic security changed. Families became dependent on wages, which are threatened by factors such as recessions, layoffs, and failed businesses. As a result, individuals could no longer rely on family for support. The stock market crash of 1929 pushed the country into an economic depression that resulted in mass unemployment. With no means of support, the American public looked to the government to resolve this economic security crisis.

The solution came in the form of the *Social Security Act (Act)*. President Franklin D. Roosevelt signed the *Act* into law in 1935. In 1937, about 53,000 retirees received monthly Social Security benefits. Today, we pay Social Security benefits and Supplemental Security Income (SSI) payments to approximately 60 million individuals each month. Since 1935, the Social Security Administration has moved from an agency that provides old-age benefits and Social Security numbers to an agency that provides a wide-range of benefits and services.

Social Security is one of the key pillars of American society. We administer two major programs: the Old-Age, Survivors, and Disability Insurance (OASDI) program and the Supplemental Security Income (SSI) program. In addition, we assist individuals in applying for food stamps and Medicare, including subsidies for the Medicare Prescription Drug Plan. The number of individuals receiving Social Security benefits more than doubled from 25 million in 1970 to over 52 million in fiscal year (FY) 2009.

In FY 2009, during the current economic downturn in which millions of Americans have quickly found themselves in uncertain financial waters, more Americans have turned to us than ever before. Due to the combined effects of the economic recession and the aging of the baby boomers, applications for retirement and disability benefits have soared.

How Social Security Benefits America

- **Over 52 million Americans received $665 billion in Social Security benefits in fiscal year 2009**
- **Nearly 7.7 million Americans received $42 billion in Supplemental Security Income payments in fiscal year 2009**
- **90 percent of the population age 65 and over receive Social Security benefits**
- **Among elderly Social Security beneficiaries, 20 percent of married couples and 41 percent of unmarried individuals rely on Social Security for 90 percent or more of their income**
- **69 percent of total benefits paid go to retired workers and their dependents**
- **94 percent of all workers are covered under Social Security**
- **52 percent of the workforce has no private pension coverage**

Old-Age, Survivors, and Disability Insurance Program

Americans and their families can count on benefits when they retire or become disabled. The original *Act* provided only retirement benefits to individuals at age 65. The 1939 amendments to the *Act* added two new categories of benefits: dependent benefits and survivor benefits. Dependent benefits are paid to the spouse and minor children of the retired individual. In the event of death, survivor benefits are paid to the deceased's family. Social Security is part of almost every American worker's retirement plan. When individuals work and pay Social Security taxes, they earn "credits" toward Social Security benefits. Most individuals need 40 credits, or 10 years of work, to qualify. These tax revenues are held in the Social Security Trust Funds from which we pay Old-Age, Survivors, and Disability Insurance benefits. Although full retirement age has changed based on an individual's year of birth, the basic benefit structure of the Social Security system has remained essentially unchanged since 1939.

Social Security also pays benefits to individuals who cannot work because they have a medical condition that is expected to last at least one year or result in death. Benefits are only payable for total disability; no benefits are payable for partial or short-term disability. Disability benefits for individuals ages 50-65 and disabled adult children were added to the *Act* in 1956. Eventually, Congress broadened the scope of the Disability Insurance program to include disabled individuals of any age and their dependents. Legislation enacted in 1968 provided benefits to disabled widows and widowers who are at least 50 years old. Once disability benefits begin, they continue for as long as the individual is disabled and either does not work or works but does not earn more than a certain amount per month.

The loss of the family wage earner can be devastating both emotionally and financially. Social Security helps by providing income for the families of workers who die. In fact, 98 of every 100 children receive survivor benefits if a covered parent dies. Social Security pays more benefits to children than any other federal program. For more information about our programs and benefits, please visit our website at http://www.socialsecurity.gov.

Supplemental Security Income Program

The original *Act* introduced programs for aged and blind individuals with low income. Changes to the *Act* in 1950 included eligibility for disabled individuals with low income. State and local governments first administered these programs, known as the "adult categories" of welfare, with partial Federal funding. The 1972 *Social Security Amendments* converted these State and local programs to the Federal SSI program. The SSI program is a needs-based program for elderly individuals, as well as blind or disabled adults and children, who have limited income and resources. The SSI program provides money to meet basic needs for food, clothing, and shelter.

Elderly individuals may qualify for SSI if they are age 65 or older and have limited income and resources. Blind or disabled adults applying for SSI must meet the same disability requirements as under the Disability Insurance program, in addition to meeting limited income and resource requirements. In order for children to receive SSI, they must meet different disability requirements than adults. You can find more information about SSI for children at http://www.socialsecurity.gov/ssi/text-child-ussi.htm.

Unlike the Social Security program, Social Security taxes do not finance SSI payments. Instead, general revenues finance all SSI payments and administrative costs. Please refer to our website at http://www.socialsecurity.gov/pgm/links_ssi.htm for eligibility requirements and other information about the SSI program.

How Do We Serve America?

In FY 2009, we paid approximately 60 million individuals over $700 billion in Social Security benefits and SSI payments, and served the public by processing:

- ☑ 17.5 million Social Security cards
- ☑ 1.3 billion Social Security number verifications
- ☑ 262 million earnings items posted to workers' records
- ☑ 67 million transactions via our National 800 Number
- ☑ 45 million visitors to our field offices
- ☑ 4.7 million retirement, survivor, and Medicare applications
- ☑ 2.8 million disability applications
- ☑ 321,000 SSI aged applications
- ☑ 244,000 million Medicare Prescription Drug Plan subsidy applications
- ☑ 1.3 million representative payee accountings and changes
- ☑ 151 million *Social Security Statements*
- ☑ 1.7 million SSI redeterminations
- ☑ 2.1 million overpayment actions
- ☑ 598,000 disability reconsiderations of denied applications
- ☑ 660,842 hearings
- ☑ 89,066 Appeals Council reviews
- ☑ 317,000 medical continuing disability reviews
- ☑ 30 million status changes (e.g., address, direct deposit, wage reports)
- ☑ 83,000 Food Stamp applications

Figure 1 : President Roosevelt signing the Social Security Act of 1935 in the Cabinet Room of the White House

OUR ORGANIZATION

The Social Security Administration touches the lives of virtually every American, as well as many people living abroad. We administer the various statutes and programs that make up the largest social insurance program in the world.

Our current organization is comprised of almost 65,000 employees. We deliver services through a nationwide network of over 1,400 offices that includes regional offices, field offices, card centers, teleservice centers, processing centers, hearing offices, the Appeals Council, and our headquarters located in Baltimore, Maryland. We also have a presence in U.S. embassies around the globe.

Our field offices and card centers are the primary points for face-to-face contact with the public. Teleservice centers offer National 800 Number telephone service (1-800-772-1213). Processing centers perform a wide-range of workloads and handle 800 Number calls. The Appeals Council and administrative law judges in our hearing offices decide appeals of Social Security claims and SSI applications. Most of our nearly 65,000 employees deliver direct service to the public or support the services provided by these front-line workers. Additionally, our disability programs depend on the work of over 16,500 individuals employed by our State and territorial partners, the Disability Determination Services.

For the public, we are the face of the government, and the rich diversity of our employees mirrors the public we serve. A chart of our current organizational structure is available on our website http://www.socialsecurity.gov/org/ssachart.pdf. The functions each component performs are described at http://www.socialsecurity.gov/org/.

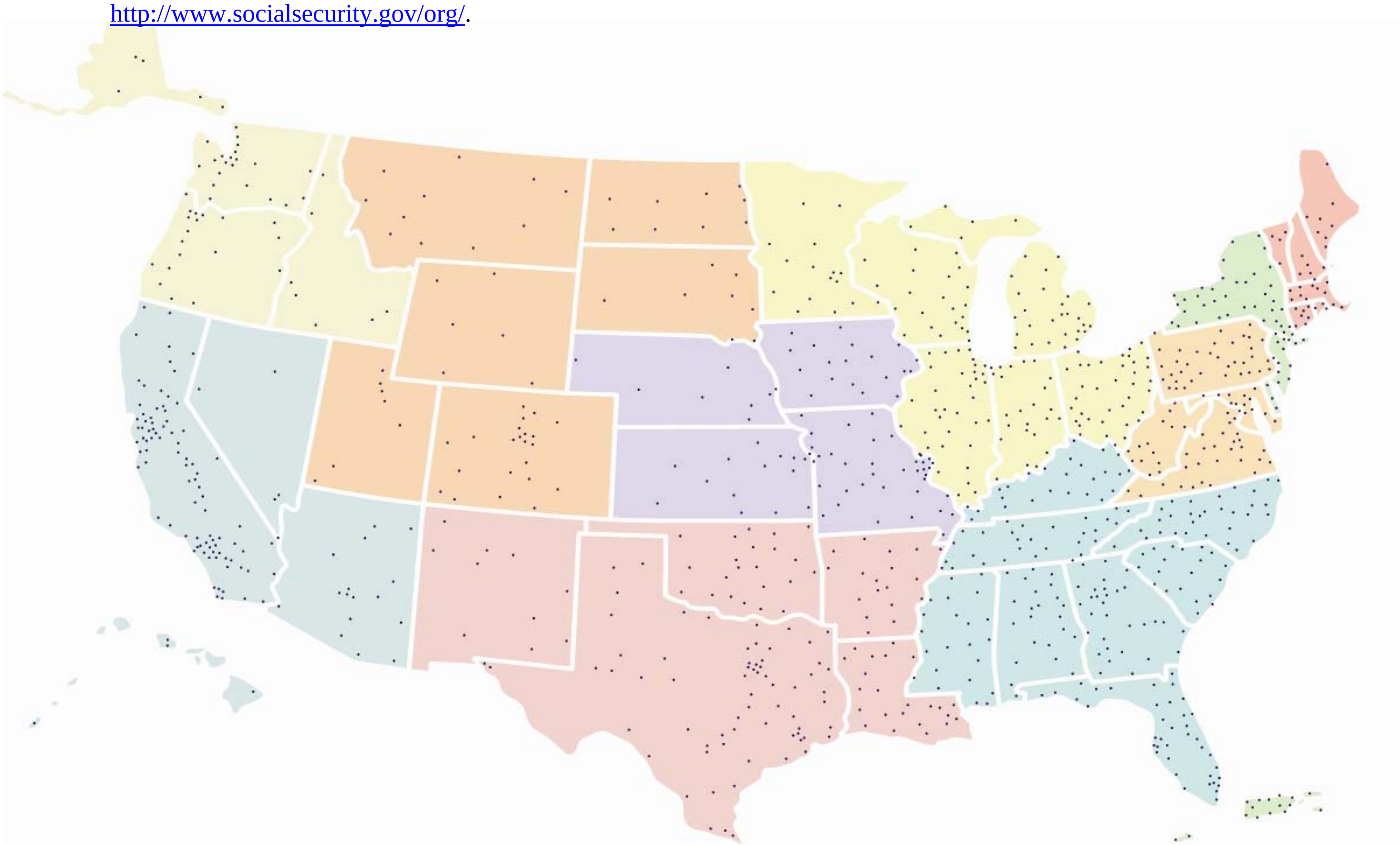


Figure 2 : The dots on this map of the United States represent a Social Security Field Office, Card Center, Teleservice Center, Processing Center, or Hearing Office.

OVERVIEW OF OUR FY 2009 GOALS AND RESULTS

SUMMARY OF FY 2009 PERFORMANCE

The *Government Performance and Results Act of 1993* requires all federal agencies to issue:

- A 5-year *Agency Strategic Plan* that includes a mission statement and outlines long-term goals and objectives. We issued our most recent *Agency Strategic Plan for 2008-2013* on September 24, 2008 (http://www.socialsecurity.gov/asp/).
- An *Annual Performance Plan* which provides annual performance commitments toward achieving the goals and objectives presented in the *Agency Strategic Plan*; and
- An *Annual Performance Report*, which is included in this *Performance and Accountability Report,* that evaluates the agency's progress toward achieving those performance commitments.

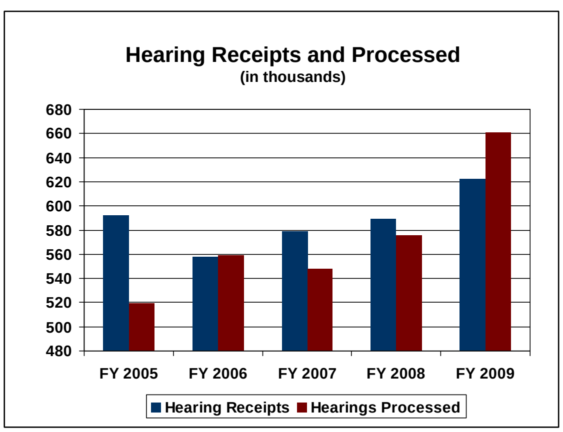
We are committed to providing superior service to the American public despite increased workloads and constrained resources. In FY 2009, we made considerable progress to improve our services across the agency. We met our targeted goal for 21 of our 22 FY 2009 performance measures for which end-of-year data are available. Data for three of our remaining performance measures will not be available until later in FY 2010. We will report our performance on these three measures in the *FY 2010 Performance and Accountability Report.*

Our *Agency Strategic Plan,* on which this performance report is based, focused on the following four strategic goals:

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Results: Met the target for 6 of 6 measures

The elimination of the hearings backlog remains the agency's top priority, and we are on track to reach the optimal level (466,000) of pending hearings by FY 2013. This year we turned the corner on the hearings backlog and reduced both the number of hearings pending as well as the average time to receive a hearing decision. With the support of Congress, and with the additional funding we received in FY 2009, we hired 147 administrative law judges and 850 support staff for our hearing offices, and opened three new National Hearing Centers (Albuquerque, New Mexico; Chicago, Illinois; and Baltimore, Maryland) to help process workloads for hearing offices with the highest number of cases pending. We also established aggressive plans to open 14 new hearing offices and three new satellite offices in FY 2010. By the end of FY 2009, we processed 85,000 more hearings than in FY 2008, a 15-percent increase. Our average processing time was 491 days at the end of the fiscal year, compared to 514 days in FY 2008. We continued to work down our oldest cases so that we could provide a hearing decision to individuals who have waited the longest. In FY 2008, we virtually eliminated all hearing cases pending at least 900 days by the end of that fiscal year.



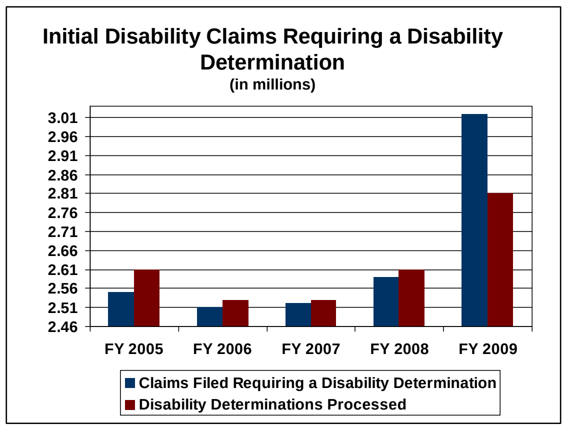
For FY 2009, we raised the bar and set a goal to eliminate 166,838 hearing cases pending at least 850 days by the end of the fiscal year. We met this goal and for FY 2010, we will focus on eliminating cases over 825 days old.

In addition to adding new staff and resources in our hearing offices, we continued to make the hearing process more efficient. For example, we expanded the Senior Attorney Adjudicator program, in which our most experienced attorneys are authorized to issue fully favorable decisions in certain cases without the need to conduct an actual hearing. These decisions, referred to as "on-the-record" decisions, bring eligible individuals onto the disability rolls more quickly than if they had to wait for a hearing. We also continued to expand the availability and use of video hearings for the convenience of individuals who have filed a request for a hearing. Video hearings save time and money for all parties by minimizing travel to hearing sites. In FY 2009, we conducted 86,320 video hearings, an increase of about 55 percent from FY 2008. In addition, we developed a standardized electronic business process that incorporates the most efficient and effective methods for electronic case processing. In FY 2009, we rolled out and provided training on the electronic business process in 30 hearing offices. We plan to continue the roll out to all hearing offices in FY 2010.

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process

Results: Met the target for 5 of 5 performance measures

In FY 2009, we received more than 3 million initial disability claims, over 431,000 more than we received in FY 2008. In FY 2010, we expect this number to peak at over 3.3 million disability claims. Higher receipts will contribute to an increase in claims pending. At the end of FY 2009, we had 40 percent more initial disability claims pending (779,854) than at the end of FY 2008 (556,670). This rapid rise in the pending level, which we expect to exceed 1 million in FY 2010, is unacceptable. We are committed to returning, by FY 2013, to our pre-economic downturn pending level of 525,000 claims.



It will require adequate resources and hard work from all employees to achieve this goal. In FY 2009, we developed a multi-year strategy to address the growth in our initial disability claims workload and the corresponding increase in pending work in the state and territorial Disability Determination Services to help us process these claims. Our strategy includes additional hiring and overtime in the Disability Determination Services, as well as policy simplifications that will optimize productivity. We began implementing this strategy by maximizing our hiring efforts in FY 2009, which included approximately 2,600 Disability Determination Services employees. These additional hires helped us to process over 200,000 more disability claims compared to FY 2008.

In addition to hiring more employees and processing more claims, we also expedited disability decisions for the most severely disabled individuals. This year, through our fast-track processes, *Quick Disability Determination* and *Compassionate Allowances*, we approved benefits for over 90,000 Americans with severe disabilities in a matter of days. As a result of improvements to our computer modeling system, we achieved our FY 2009 target of identifying 3.8 percent of initial disability claims for our fast-tracking processes. Also, in FY 2009, we conducted two *Compassionate Allowance* outreach hearings on the topics of brain injuries and stroke, and early-onset Alzheimer's disease and related dementias. We are gaining valuable information from these hearings that will allow us to include more diseases and impairments to the *Compassionate Allowances* list.

Furthermore, we are continuing to improve our *Ticket to Work* program. Under this program, we issue *Tickets* to eligible disabled individuals who, in turn, may choose to assign their *Tickets* to an Employment Network to obtain employment services, vocational rehabilitation services, or other support services. In 2008, we implemented new regulations revising the *Ticket to Work* program to provide more incentives and to increase participation.

Ticket assignments are up almost 160 percent over the same period a year ago. As of July 2009, nearly 1 year after the new regulation became effective, almost 270,000 individuals with *Tickets* have either assigned their *Tickets* to an Employment Network or are receiving services from a vocational rehabilitation agency.

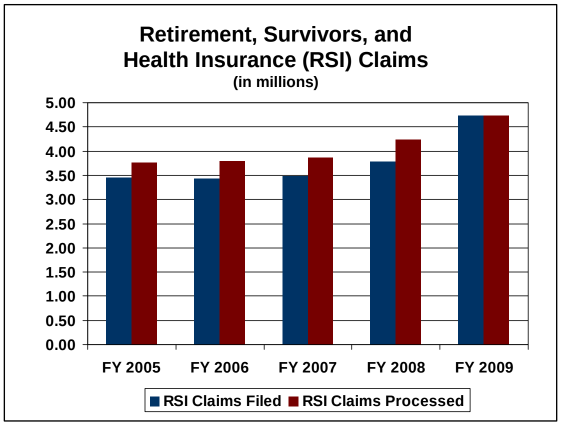
Finally, we continued to look for ways we can provide better service to a very important group of Americans who risk their lives for us everyday – members of the military. Through national and local efforts at major medical facilities, we have increased outreach to help wounded warriors learn about and apply for disability benefits under Social Security. As a result, more wounded warriors are applying for benefits, and we are expediting their claims.

Strategic Goal 3: Improve Our Retiree and Other Core Services

Results: Met the target for 4 of 6 performance measures (data unavailable for one measure)

With the additional funding provided by Congress, we added approximately 1,400 additional employees in our field offices, card centers, and processing centers, including about 260 additional employees in our National 800 Number teleservice centers. In addition, we hired 950 employees to replace those who retired or left the agency. We are pleased to report that our National 800 Number service improved. Wait times currently average 245 seconds, down from 326 seconds in FY 2008, and the average busy rate is 8 percent, down from 10 percent last fiscal year. We continued to use new technologies that helped us forecast call volumes, anticipate staffing needs, and better distribute incoming calls across the network. These technologies allowed us to answer calls and connect callers who wished to speak to an agent as quickly as possible, such as offering speech recognition that allows callers to speak their request into an interactive voice-prompt system, thereby reducing the time callers spend navigating through menu prompts and touch-tone commands.

To meet the needs of baby boomers, we continued developing a wide range of online and automated services. In December 2008, we launched our new improved online retirement application, the *iClaim*, and it has generated tremendous interest from the public. The *iClaim* won awards from a variety of outside entities and has been instrumental in helping us keep up with an increase of more than 500,000 retirement, survivor, and Medicare claims in FY 2009 compared to FY 2008. We received our two millionth online retirement application in early June due, in large part, to our outreach efforts and new, quick, and easy-to-use *iClaim*. This achievement is especially noteworthy since it took us more than 7 years to receive the first million online retirement applications. We continue to improve and add to our Internet services; for example, our *Retirement Estimator* will be available in Spanish. We believe our online services are not only essential to how we do business, but also provide another option for service for all Americans.



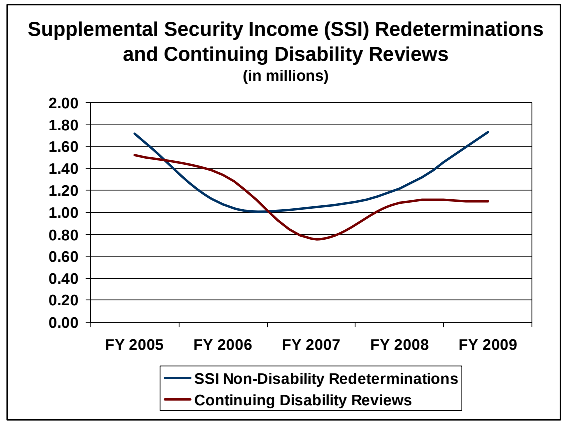
Finally, we made significant progress with our second data support center, which is intended to back up our primary data center in the event of a disaster. Since we took possession of the building in January 2009, we are ahead of schedule in integrating this center into our infrastructure and business processes. Two data centers are vital to the security of the data we keep on nearly every American, and the additional center expanded our capacity to more efficiently function in an electronic business environment.

Strategic Goal 4: Preserve the Public's Trust in Our Programs

Results: Met the target for 6 of 8 performance measures (data unavailable for two measures)

We are committed to sound management practices and take pride in our ability to protect and carefully manage the resources, assets, and programs entrusted to us. In FY 2009, two of our most effective and successful stewardship tools continued to be SSI non-disability redeterminations and medical continuing disability reviews.

Both ensure that individuals receiving benefits remain entitled to them and verify that payments made are in the correct amount. Moreover, continuing disability reviews produced approximately $10 in program savings for every $1 spent to conduct the reviews. SSI redeterminations saved approximately $7 for every $1 spent. Unfortunately, we scaled back the number of redeterminations and continuing disability reviews conducted in recent years due to budget constraints and increases in our other critical workloads. However, with additional funding received in FYs 2008 and 2009, we increased our program integrity efforts. In FY 2009, we processed over 1,730,000 SSI redeterminations and over 1,101,000 continuing disability reviews.



In addition to our program stewardship, we take pride in our ability to protect and manage the other resources and assets entrusted to us. For example, we maintained our commitment to sound environmental practices. The Social Security Administration has been environmentally responsible for many years. All of our computers are silver-rated or better using the Electronic Equipment Product Environmental Assessment Tool. We donated, sold, or recycled all of the agency's obsolete electronic equipment. We continued to reduce our carbon footprint by using environmentally sensitive practices as we conducted major renovations or upgrades to agency-owned or leased buildings. In FY 2009, our Southeastern Payment Center in Birmingham, Alabama competed with 224 other regional winners for the national McGraw-Hill Construction *Best of the Best Award.* The Southeastern Payment Center's "green" design helped us win the *Best of the Best Award* in the government category. The award recognizes construction and design excellence in addition to workmanship and contribution to the community. Additional information on the award can be found at *Engineering News-Record's* website, http://enr.construction.com/toplists/best_of_awards/2009/0302-BestoftheBest-2.ASP. In addition, we continued to reduce energy use in our facilities by contracting for renewable energy projects and energy audits.

In FY 2009, we also established an Environmental Workgroup to meet the goals of *Executive Order 13423*, "*Strengthening Federal Environmental, Energy, and Transportation Management*." This workgroup has been instrumental in developing and formalizing our commitment to a sustainable environment. To date, we have authored an *Electronics Stewardship Plan* and started development of a *Green Purchasing Plan*, a *Sustainable Building Plan*, and an *Environmental Management System*.

Our Responsibilities under the *American Recovery and Reinvestment Act of 2009*

President Obama signed the *American Recovery and Reinvestment Act (Recovery Act)* into law on February 17, 2009. It was an unprecedented effort to jumpstart our economy, create or save millions of jobs, and began addressing long-neglected challenges so our country can thrive in the 21st century.

We received over $1 billion in funding under the *Recovery Act*. This funding included $500 million to tackle our retirement and disability workloads; $90 million to administer $250 economic recovery payments; and $500 million to construct and partially equip a new data center to replace our aging National Computer Center. These substantial investments are helping us address the dramatically increasing service demands caused by the combination of a weakened economy and increased retirement and disability applications. Because of the uniqueness of this supplemental funding, we describe below our FY 2009 progress in meeting our *Recovery Act* responsibilities:

- **$500 Million to Tackle our Retirement and Disability Workloads**: We used a significant portion of this funding to hire and train over 2,400 employees in our field offices, card centers, processing centers, hearing offices, and Disability Determination Services, and to provide additional overtime to process critical workloads. With our FY 2009 appropriation and the *Recovery Act* funding, we processed over 500,000 more retirement claims, 200,000 more disability claims, and more than 85,000 hearings this fiscal year than in FY 2008. Also, as a Federal Government leader in Health Information Technology, we have taken the first steps to contract with healthcare providers and networks that will provide us with electronic health records that will improve the speed and accuracy of our disability determination process.

- **$90 Million to Administer Economic Recovery Payment:** We played a critical role in issuing the $250 economic recovery payments to almost 53 million eligible individuals receiving Social Security benefits and SSI payments. These economic recovery payments injected more than $13 billion into the economy. We facilitated the issuance of these payments in record time, quickly getting them into the hands of the people who needed them the most.

- **$500 Million to Construct and Partially Equip a New Data Center to Replace Our Aging National Computer Center**: Our National Computer Center houses critical computer operations essential to prompt and accurate payment of benefits and stores data necessary to provide service to all Americans. Because the National Computer Center is over 30 years old, it will soon be incapable of supporting the growing demands of our business processes. In FY 2009, we began planning for a new facility that will be built and operational when our current National Computer Center is near the end of its functional life. We worked closely with the General Services Administration on all aspects of pre-planning. This included establishing criteria for the new data center; starting the process to select a site; developing a detailed construction timeline; and beginning to create a comprehensive program of requirements for the new facility.

- **We report weekly on the status of *Recovery Act* implementation by program, including major actions taken to date and major actions planned for the future.** We developed an overall agency-level plan and three program-specific plans for use of *Recovery Act* funds. Our *Recovery Act* website is located at http://www.socialsecurity.gov/recovery/.

This *Performance and Accountability Report* details how the funding that Congress provided is making a difference to Americans all across the nation. Our performance in FY 2009 demonstrated that we are a sound investment. On the following pages, we provide our FY 2009 performance results.

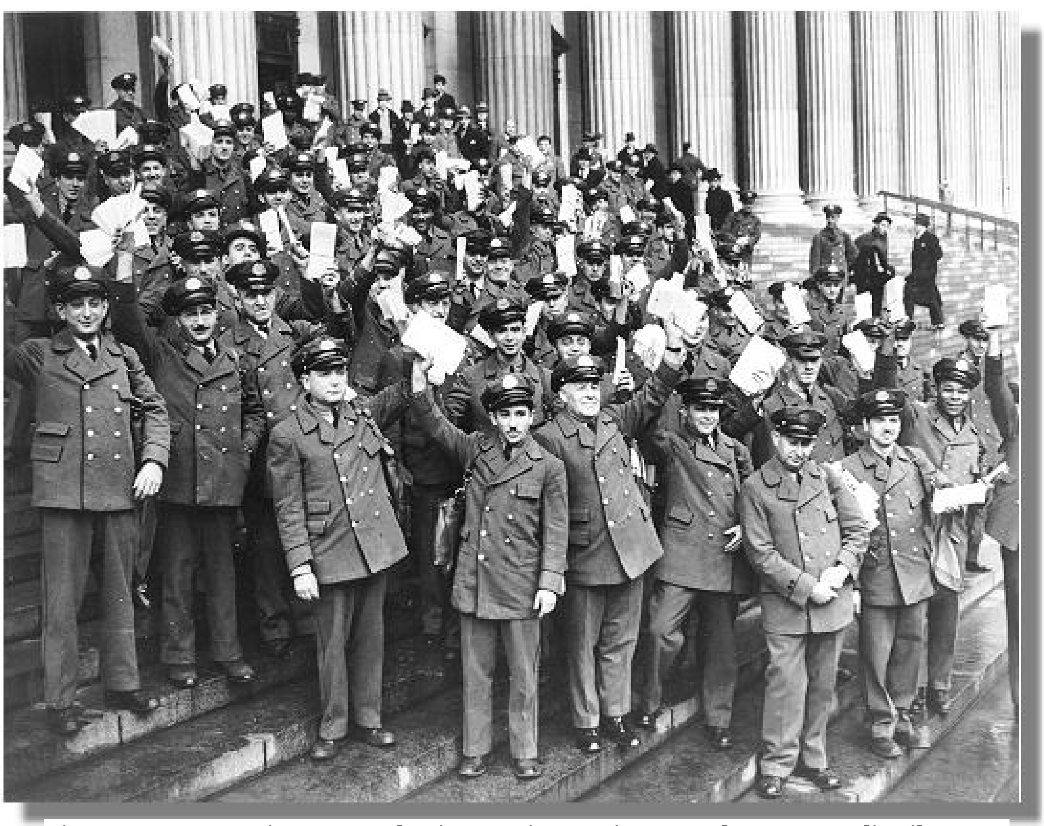


Figure 3: Postmen in New York City starting out in November 1936 to distribute more than 3,000,000 applications for Social Security numbers.

PERFORMANCE SUMMARY OF GOALS AND RESULTS

The following tables provide a brief overview of our performance in all 25 FY 2009 performance measures using the following key. We listed the measures based on the goals and objectives they support in our *Strategic Plan for Fiscal Years 2008 – 2013* and our *Annual Performance Plan for Fiscal Year 2010 and Revised Final Plan for FY 2009.*

Key	
Target met or exceeded	↑
Target not met	↓
To be determined-final FY 2009 data not available	TBD
PPM- Denotes each of the Agency's *Government Performance and Results Act* performance measures which were also Program Performance Measures. See page 71 for more information on Program Performance Measures (PPM).	

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence					
Strategic Objective 1.1: Increase our capacity to hear and decide cases					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
1.1a	Process the budgeted number of hearings	647,000	660,842	↑	47
Strategic Objective 1.2: Improve our workload management practices throughout the hearing process					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
1.2a	Achieve the target for number of hearings pending	755,000	722,822	↑	48
1.2b	Achieve the target to eliminate the oldest hearings pending	Less than 1% of hearings pending 850 days or older	228 of 166,838 cases remained pending (.14%)	↑	49
1.2c **PPM**	Achieve the budgeted goal for average processing time in days for hearings	516 days	491 days	↑	50

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence					
Strategic Objective 1.2: Improve our workload management practices throughout the hearing process					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
1.2d	Achieve the target to eliminate the oldest Appeals Council cases pending	Less than 1% of Appeals Council cases pending 750 days	10 of 12,184 cases remained pending (.08%)	↑	51
1.2e	Achieve the target for average processing time of Appeals Council decisions	265 days	261 days	↑	51

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process					
Strategic Objective 2.1: Fast-track cases that obviously meet our disability standards					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
2.1a	Achieve the target percentage of initial disability claims identified as a Quick Disability Determination or a *Compassionate Allowance*	3.8%	3.8%	↑	52
2.1b	Process the budgeted number of initial disability claims	2,637,000	2,812,918	↑	53
2.1c PPM	Minimize average processing time in days for initial disability claims to provide timely decisions	129 days	101 days	↑	54
Strategic Objective 2.2: Make it easier and faster to file for disability benefits online					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
2.2a	Achieve the target percentage of initial disability claims filed online	18%	21%	↑	55
Strategic Objective 2.3: Regularly update our disability policies and procedures					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
2.3a	Update the medical *Listings of Impairments*	Develop and submit at least 3 regulatory actions or *Social Security Rulings*	Completed	↑	56

Strategic Goal 3: Improve Our Retiree and Other Core Services					
Strategic Objective 3.1: Dramatically increase baby boomers' use of our online retirement services					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
3.1a PPM	Percent of Retirement and Survivors claims receipts processed up to the budgeted level	100% (4,543,000)	104% (4,742,218)	↑	56
3.1b	Achieve the target percentage of retirement claims filed online	26%	32%	↑	57
Strategic Objective 3.3: Improve our telephone service					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
3.3a	Achieve the target speed in answering National 800 Number calls	330 seconds	245 seconds	↑	58
3.3b	Achieve the target busy rate for National 800 Number calls	10%	8%	↑	59
Strategic Objective 3.4: Improve service for individuals who visit our field offices					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
3.4a PPM	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	83%	81%	↓	60
Strategic Objective 3.5: Process our Social Security number workload more effectively and efficiently					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
3.5a	Achieve the target percentage for assigning original Social Security numbers correctly	95%	Data available May 2010	TBD	61

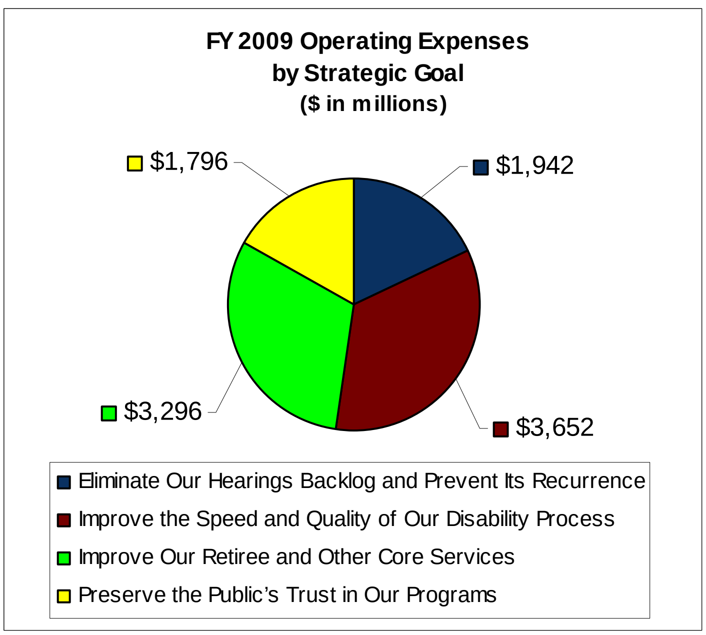
Strategic Goal 4: Preserve the Public's Trust in Our Programs

Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
Strategic Objective 4.1: Curb improper payments					
4.1a	Process the budgeted number of Supplemental Security Income non-disability redeterminations	1,711,000	1,730,575	↑	63
4.1b	Process the budgeted number of continuing disability reviews	1,079,000	1,101,983	↑	64
4.1c PPM	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error	96.0% (O/P) 98.8% (U/P)	Data available June 2010	TBD	65
4.1d PPM	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	99.8% (O/P) 99.8% (U/P)	Data available June 2010	TBD	66
Strategic Objective 4.3: Maintain accurate earnings records					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
4.3a	Achieve the target percentage of paper Forms W-2 received	17%	16%	↑	68
Strategic Objective 4.5: Protect our programs from waste, fraud, and abuse					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
4.5a	Receive an unqualified audit opinion on SSA's financial statements	Receive an unqualified opinion	Received an unqualified opinion	↑	69
Strategic Objective 4.6: Use "green" solutions to improve our environment					
Performance Indicator		**FY 2009 Target**	**FY 2009 Actual**	**Target Achieved?**	**See Page #**
4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles	20	26	↑	69
4.6b	Develop and implement an agency Environmental Management System	Develop a high-level project plan	Completed	↑	70

HOW WE INTEGRATE OUR PERFORMANCE AND BUDGET

The *Government Performance and Results Act* requires agencies to prepare *Annual Performance Plans* outlining their current year tactical plans for achieving the goals and objectives outlined in their *Strategic Plan*. We submit our integrated budget and *Annual Performance Plan* to demonstrate the connection between requested funding and planned performance. This process is referred to as performance budgeting. The President's FY 2010 budget request, that included our *Annual Performance Plan for Fiscal Year 2010 and Revised Final Performance Plan for Fiscal Year 2009,* is available at http://www.socialsecurity.gov/budget/FY10BudgetOverview.pdf.

To round out the recurring cycle of performance budgeting, agencies are required to report, at the close of the fiscal year, their actual performance in comparison to their planned and budgeted performance outcomes. Additionally, agencies are to report their progress toward achieving the goals outlined in their *Strategic Plan*. This document, the *Performance and Accountability Report for Fiscal Year 2009,* compares our FY 2009 performance with our planned and budgeted performance outcomes. Furthermore, it explains our efforts, included our ongoing and planned initiatives, to achieve the four goals outlined in our *Strategic Plan*. The chart below shows our FY 2009 operating expenses allocated by strategic goal.



HOW WE ENSURE DATA QUALITY

We are committed to providing clear, reliable data for managerial decision-making and oversight. We strive to ensure that our data is quantifiable and verifiable. We have internal controls in place to provide reasonable assurance that these objectives are met. These controls include ongoing data quality reviews, as well as audit trails, reviews at all levels of management, restricted access to sensitive data, and separation of job responsibilities. Our controls assure that data in this report contain no material inadequacies and support the Commissioner's *FederalManagers' Financial Integrity Act* Assurance Statement. Refer to the *Systems and Controls* section on page 41 for more information about the *Federal Managers' Financial Integrity Act.*

Social Security Data Integrity Systems and Controls

We generate data for quantifiable performance measures using automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or higher. We also perform stewardship reviews on the accuracy of Old-Age, Survivors, and Disability Insurance and SSI payments. These reviews are the primary measure of quality for agency performance and provide an overall payment accuracy rate. We derive each review from a sample of records of individuals currently receiving monthly Social Security benefits or SSI payments. For each sampled record, we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility.

Furthermore, we use an evaluation process known as *Transaction Accuracy Reviews* to provide quality feedback on recently processed Old-Age, Survivors, and Disability Insurance and SSI applications, as well as SSI redeterminations. In FY 2009, we selected 17,300 cases (8,800 Old-Age, Survivors, and Disability Insurance cases and 8,500 SSI cases) for a *Transaction Accuracy Review*. These reviews focused on our processing procedures, and the results of these reviews provided national and regional data on the quality of the application process. In addition, we conducted field assistance visits to identify areas where we could improve our work processes. In an effort to improve accuracy and efficiency, we analyzed the data to determine the causes for deficiencies and issued mid-year and annual reports of our findings. These reports provided timely feedback to our employees and included recommendations on how to prevent errors in the future.

Audit of Our FY 2009 Financial Statements

The *Chief Financial Officers Act of 1990* requires our Office of the Inspector General, or an independent external auditor that it selects, to audit our financial statements. The Office of the Inspector General conducted the FY 2009 audit with limited assistance from an independent external auditor. The audit concluded our financial statements present fairly, in all material respects, the financial position of the Social Security Administration. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We provide the Office of the Inspector General's audit report in the *Auditor's Reports* section beginning on page 145.

Role of our Office of the Inspector General

Our Office of the Inspector General has a key role in auditing performance measure data systems to verify the validity and reliability of performance, budgeting, and financial data. The Office of the Inspector General did not initiate any performance measure audits in FY 2009. However, these audits will resume in FY 2010.

The objectives of such audits are to:

- Assess and test our internal controls of the development and reporting of performance data for selected annual performance measures;
- Assess and test the application controls related to the performance measures;
- Assess the overall reliability of the performance measures' computer processed data;
- Test the accuracy of results presented and disclosed in the *Performance and Accountability Report*;
- Assess the meaningfulness of the performance measures; and
- Report the results of the testing to Congress and agency management.

ACHIEVING OUR MISSION

OUR CHALLENGES AS WE STRIVE TO MEET THE CHANGING NEEDS OF THE PUBLIC WE SERVE

This *Performance and Accountability Report* highlights our accomplishments, discusses key issues that will affect our future operations, and describes how we managed our resources and administered our programs through the four strategic goals outlined in our *FY 2008-2013 Agency Strategic Plan*:

- Strategic Goal 1- Eliminate our hearings backlog and prevent its recurrence;
- Strategic Goal 2- Improve the speed and quality of our disability process;
- Strategic Goal 3- Improve our retiree and other core services; and
- Strategic Goal 4- Preserve the public's trust in our programs.

Below we discuss the major challenges facing the agency and the corresponding current and future actions we plan in response to these challenges.

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Eliminating our hearings backlogs continued to be our primary focus in FY 2009. This, however, became increasingly more difficult as we faced an increase in hearing receipts. In FY 2009, we received 622,851 requests for hearings, the highest annual total we ever received. This was 33,402 more requests than FY 2008 – a 6-percent increase. In spite of this challenge, we continued to move forward with a wide-range of hearing backlog reduction initiatives. As a result, we reduced our pending hearings by 37,991 cases – 5-percent decrease – from FY 2008, the first decline in almost 10 years. We also kept the public better apprised of our hearing-reduction efforts. To this end, we provide a state-by-state update at http://www.socialsecurity.gov/appeals/congressional-booklets.html. Below we discuss our efforts to achieve the two objectives established for this goal.

STRATEGIC OBJECTIVE 1.1: INCREASE OUR CAPACITY TO HEAR AND DECIDE CASES

In addition to adding new staff and resources, we maximized our ability to expedite hearing requests where it appeared the claim could be allowed without conducting a formal hearing. In doing so, individuals received their benefits months sooner than they would have under the formal hearing process, and our administrative law judges were able to focus on the more complex cases. Below are some of the initiatives we continued in FY 2009 and plan to carryover into FY 2010 to increase our capacity to hear and decide cases.

Increase Number of Administrative Law Judges and Support Staff Levels: We continued to increase our cadre of administrative law judges and hired sufficient staff to support them. In FY 2009, with the additional funds we received under the *Recovery Act*, we were able to hire 147 administrative law judges and 850 support staff. These staffing levels provided an average ratio of 4.5 support staff per administrative law judge – the level estimated to maximize our hearings potential. We plan to hire 226 administrative law judges and approximately 950 support staff in FY 2010. We are striving for a cadre of 1,500 administrative law judges and associated support staff by early 2012.

Enhance the Senior Attorney Adjudicator Program: Under this program our most experienced attorneys are authorized to issue fully-favorable decisions in certain cases without the need to conduct an actual hearing – referred to as "on-the-record" decisions – thereby providing disability benefits to individuals more quickly than if they had to wait for a hearing. In FY 2009, senior attorney adjudicators issued 36,366 on-the-record decisions. To ensure the accuracy of these decisions, we reviewed a random sample of their decisions after effectuation and found a 98-percent decisional accuracy rate. We further discuss our evaluation of this program on page 81 in the *Program Evaluation* section.

We will aggressively expand this initiative by increasing the number of senior attorney adjudicators. We are also looking for new and innovative ways to maximize this program. For example, beginning in FY 2010, we will form a virtual screening unit with 100 senior attorney adjudicators to carry out additional screening activities.

Continue the Informal Remand Process: We developed a software model that identifies cases where there is a strong likelihood the individual is disabled based on the circumstances involved or the evidence presented. Our hearing offices return these cases to the Disability Determination Services (DDS) for review and for a possible favorable determination thereby avoiding the need to hold a hearing. In FY 2009, the Disability Determination Service reviewed 52,294 cases under the informal remand process resulting in 14,938 favorable determinations.

Open Additional Hearing Offices and National Hearing Centers: In FY 2010, we plan to open 14 additional hearings offices and 3 satellite offices, along with the expansion of space in 2 existing offices. We also plan to open 11 hearings offices and 4 satellite offices in FY 2011.

In FY 2009, we opened three National Hearing Centers – Albuquerque, NM in March 2009; Chicago, IL in June 2009; and Baltimore, MD in July 2009 – bringing our total to four. In addition, we plan to open a fifth National Hearing Center in St. Louis, MO in FY 2010. National Hearing Centers use video conferencing that enables administrative law judges to hold remote disability hearings giving us the flexibility to swiftly target assistance to the areas of the country with the highest pending hearings workload. Our National Hearing Centers processed 9,162 hearings in FY 2009.

Expand Video Hearings Capabilities: We are expanding the availability and use of video hearings for the convenience of individuals who have filed a hearing request. Video hearings help minimize travel to hearing sites, saving time and money for all involved parties. The following initiatives bolstered video hearing usage in FY 2009:

- Desktop Video Units: In FY 2008, we began limited use of desktop video units – small flat screen monitors that enable administrative law judges to conduct video hearings in their offices instead of occupying a hearing room. Feedback has been very positive. Administrative law judges' use of units in their offices helped free up hearing rooms for additional hearings. Based on these encouraging results, we installed 186 desktop video units in FY 2009 and conducted 10,620 hearings using these units. We plan to add over 100 units in FY 2010.

- Representative Video Project: Under the Representative Video Project, attorney and non-attorney representatives for individuals who have filed requests for hearings, may use their own video conferencing equipment that meets our specifications to participate in hearings from their own offices. In FY 2009, we certified 13 representatives to participate in this project and conducted 692 hearings. We expect to expand this initiative in FY 2010 and beyond.

STRATEGIC OBJECTIVE 1.2: IMPROVE OUR WORKLOAD MANAGEMENT PRACTICES THROUGHOUT THE HEARINGS PROCESS

We are committed to improving hearing office procedures and better managing hearings workloads. We significantly reduced the oldest hearings pending and incorporated the use of technology in our business processes.

Implement the Standardized Electronic Business Process: The purpose of this initiative is to facilitate timely and legally sufficient hearings and decisions by achieving and maintaining the most effective and efficient case processing methods. The new process will maximize quality by improving accuracy, timeliness, productivity, cost-efficiency, and service to the public. We rolled out and provided training on the standardized business process to 30 hearing offices in FY 2009 and will continue phasing in the process in all hearing offices nationwide in FY 2010.

Expand Centralized Printing and Mailing: In FY 2008, we contracted with a vendor to centralize the printing and mailing of select hearing level notices. This process, once fully implemented, will free hearing office staff from routine tasks, such as producing, folding, and mailing the millions of notices the hearing level issued annually. In March 2009, we centralized the printing and mailing of the largest volume hearing notice – the *Notice of Decision* – in a limited number of offices with a nationwide rollout beginning in FY 2010. We will add more categories of notices as we gain additional experience.

Eliminate Use of Temporary Sites: We use a variety of sites to hold hearings, including temporary space in hotels, motels, courthouses, schools, and conference centers. The increased use of electronic disability files makes holding hearings in temporary space more difficult as we are generally not able to connect to our systems at these sites. During FY 2009, we developed a plan to replace over 20 temporary sites with video hearing rooms in field offices and other Social Security facilities by FY 2011. These changes will allow us to operate more efficiently and provide individuals with a more convenient, secure, and professional environment for their hearing.

Avoid a Backlog at the Appeals Council: As we increase our capacity to hear and decide cases, we are mindful of the resulting effect on the Appeals Council workloads, the next step in the appeals process after a hearing. With the additional hearings processed in FY 2009, we expect 120,000 Appeals Council receipts in FY 2010, an increase of 13,000 over FY 2009. More receipts, coupled with our emphasis on processing the oldest and most complex cases, will significantly increase overall Appeals Council processing time. We will continue to closely monitor Appeals Council workloads and take necessary actions to reduce pending levels and processing time by hiring additional staff, using early screening initiatives, and improving automation and electronic case analysis tools.

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process

In FY 2009, we saw significant increases in initial disability claims filed under both federal disability programs we administer. We received over 3 million claims for initial disability benefits, almost 17 percent more than FY 2008 and the highest level of receipts in agency history. Our projections indicate the filing of disability applications has not yet peaked. We now expect the surge to continue in FY 2010 with estimated receipts of more than 3.3 million, a 10-percent increase from FY 2009, and nearly 350,000 more than we assumed in the *FY 2010 President's Budget.* Despite this growing workload, we remain committed to a disability process that is fair, accurate, and as prompt as possible. Below we discuss our efforts to achieve the three objectives established for this goal.

STRATEGIC OBJECTIVE 2.1: FAST-TRACK CASES THAT OBVIOUSLY MEET OUR DISABILITY STANDARDS

We have an obligation to provide benefits quickly to those individuals whose medical conditions obviously meet our disability standards. This is particularly critical in SSI disability claims to ensure these individuals immediately get the vital medical coverage they need. The following provides brief descriptions of the initiatives we have undertaken to help identify such cases.

Expand Quick Disability Determinations (QDD): The QDD process uses predictive modeling, a computer-based screening tool, to identify electronic disability cases involving medical conditions where a favorable disability determination is highly likely and evidence of the condition can be easily and quickly verified. Examples include low birth-weight babies, certain cancers, and end-stage renal disease. In FY 2009, we issued 74,245 favorable disability determinations under QDD – compared to 44,000 in FY 2008 – with an average processing time of less than 12 days. We continue to refine the QDD selection criteria to enhance our computer software and maximize our capacity to accurately identify these cases.

Expand *Compassionate Allowances*: *Compassionate Allowances*, like QDD, provide a way of quickly identifying diseases and other medical conditions that clearly meet our definition of disability. Under this initiative, the predictive model identifies claims involving medical conditions so severe that, by definition, they meet the required standards for disability entitlement. Examples include acute leukemia, pancreatic cancer, and amyotrophic lateral sclerosis (more frequently referred to as Lou Gehrig's disease). Using public outreach hearings, along with input from medical experts, the public, and others, we established 50 *Compassionate Allowance* conditions (25 are cancers and 25 are other diseases) at the time we launched this initiative in October 2008. We allow nearly all *Compassionate Allowance* cases if we receive supporting documentation and non-medical criteria are satisfied. Individuals with severe disabilities can be approved for disability benefits in a matter of days instead of months or years. We held our most recent public outreach hearing in July 2009. We will continue to expand the initial list of *Compassionate Allowance* impairments. For more information on *Compassionate Allowances*, see http://www.socialsecurity.gov/compassionateallowances/.

Expand Use of *Electronic Records Express*: *Electronic Records Express* provides electronic options for submitting health and school records needed to determine eligibility for disability benefits. Currently, entities may send records electronically to us, via a secure website or fax, which are then automatically associated with an individual's electronic disability folder. This process was our first step to support the receipt of electronic records. Health Information Technology is our next step to receive and analyze standardized electronic medical data. Health Information Technology is described on page 26.

Support the Military Casualty Initiative: We have increased outreach to help military members and their families learn about and apply for disability benefits. As a result of national and local initiatives at major medical facilities, more wounded warriors are applying for benefits and we are expediting their claims. For more information on the Military Casualty Initiative, see http://www.socialsecurity.gov/woundedwarriors/.

STRATEGIC OBJECTIVE 2.2: MAKE IT EASIER AND FASTER TO FILE FOR DISABILITY BENEFITS ONLINE

Individuals have the option to file for disability benefits online. In FY 2009, almost 600,000 individuals filed for disability online. Our online disability application was cumbersome and often times confusing and deterred individuals from filing. Consequently, we began an initiative – *Disability Direct* – to increase the online filing rate and fulfill the public's expectation for more convenient, effective, and secure online service. This initiative makes it easier and faster to apply for disability benefits using *iClaim*. *iClaim* is the online tool that individuals can use to file electronically for benefits from the comfort of their homes or offices.

There are three foundational projects under this initiative designed to provide significant workload efficiencies: the *Appointed Representative Suite of Services;* the *Streamlined Application*; and the *Claims Data Web Service*. We plan to roll out these features in FY 2010:

- **Implement the *Appointed Representative Suite of Services*:** Increasingly, representatives transact business with us on behalf of applicants who file for disability benefits. To meet this demand for service from representatives (such as attorneys, non-attorneys, representative payees, and third parties) and alleviate workloads in our field offices, we are implementing the *Appointed Representative Suite of Services*, a comprehensive package of online services for representatives. In FY 2010, we will implement the first phase of the *Appointed Representative Suite of Services* This release will allow individual representatives, at all levels of the disability process (initial, reconsideration, hearing, and Appeals Council), to register online, manage their representative profile, and have access to their clients' electronic folders. We will implement additional phases of the *Appointed Representative Suite of Services* throughout FY 2010 that will focus on expanding registration and folder access, simplifying the process of submitting appeals, and documenting a representative's appointment.

- **Expand the *Streamlined Application* Project:** As part of the *Streamlined Application* project, we will release a simplified *Adult Disability Report*, which will be used to obtain basic information needed to process a disability claim, such as individuals' medical sources and employment history. This enhancement will allow those individuals filing for disability and/or their representatives to minimize their completion time and improve the quality of disability information we receive.

- **Pilot the *Claims Data Web Service*:** The *Claims Data Web Service* pilot will allow representatives, hospitals, and social workers to submit application data electronically to field offices. This service has the potential to eliminate manual keying of data for over 100,000 paper applications and appeals received annually from third-party providers.

STRATEGIC OBJECTIVE 2.3: REGULARLY UPDATE OUR DISABILITY POLICIES AND PROCEDURES

With the dramatic growth in the number of individuals applying for disability benefits, we cannot continue to process claims as we have in the past. Over the years, testing for and treatment of impairments has changed. By comparison, the way we request and receive medical information to determine disability has not changed in any fundamental way. The following provides brief descriptions of our initiatives to update our disability policies and procedures.

Expand Use of Health Information Technology: Obtaining medical evidence is a critical and time-consuming part of our disability determination process. Each year, we request over 15 million medical records on behalf of our disability applicants and store more than 400 million medical documents. In FY 2009, we became the first government agency to use the *Nationwide Health Information Network*, the Department of Health and Human Services' initiative to provide a secure connection to access electronic medical records. This network provides safe, secure, and almost instantaneous access to medical records, thereby significantly shortening the time it takes to make a disability decision. In partnership with MedVirginia, we use the *Nationwide Health Information Network* to obtain electronic medical records in some disability cases in Virginia. We will continue to work with the Office of the National Coordinator for Health Information Technology, MedVirginia, and other network cooperative members to expand this effort.

Additionally, we are using $24 million we received under the *Recovery Act* to expand our use of Health Information Technology. We will award competitive contracts to fund technological support to healthcare organizations that will provide us with medical records through the *Nationwide Health Information Network.* We expect to award contracts to health information exchanges, regional health information organizations, general medical and specialty care service providers and facilities in early 2010.

Further, we will continue to collaborate with the Department of Health and Human Services, the Department of Veterans Affairs, and other federal and state agencies, health care providers, and insurers to develop uniform clinical coding and medical report formats to standardize electronic storage and exchange of medical records. Such standardization will allow us to identify disabling conditions quickly and automatically, track trends in disability claims, and design more objective methods to identify disabling conditions.

Develop an *Occupational Information System*: The Department of Labor provided occupational information in the *Dictionary of Occupational Titles (DOT)*; however, the Department of Labor has not updated the DOT since 1991 and has no plans to do so. To adjudicate disability claims, we need up-to-date information about the various occupations that individuals have performed to determine whether their impairment prevents them from doing their usual work as well as any other work in the national economy. Therefore, in FY 2009 we established short and long-term strategies to develop a modernized *Occupational Information System*. Our short-term strategy entails evaluating whether a currently available private-sector updated DOT meets the criteria that would allow us to integrate the information into our disability evaluation process. We are currently examining the results of that evaluation. As part of our long-term strategy, we established an *Occupational Information Development Advisory Panel* that will prepare recommendations regarding the type of occupational information we should collect, as well as how we should group occupations for disability evaluations. The *Panel's* mission is to provide independent advice and recommendations on plans and activities to replace the DOT and to create an occupational information system tailored specifically for our disability programs and decision process. In FY 2009, the *Panel* held three public meetings, received testimony from public organizations, and conducted investigations into the issues raised. The *Panel* delivered its first set of recommendations in September 2009.

Update the *Listing of Impairments*: The *Listing of Impairments (Listings)* describe for each major body system the impairments considered severe enough to prevent an individual from working, or for children, impairments that cause marked and severe functional limitations. We update the *Listings* on a regular basis and have a schedule to ensure we update all of them at least once every 5 to 7 years as needed. This will improve our ability to decide whether a claimant meets the criteria for disability benefits. In the last 5 years, we have revised approximately 50 percent of the *Listings.*

In FY 2008, we published final regulations for 2 of the 14 body systems. In FY 2009, we published 8 *Social Security Rulings* concerning Childhood Disability rules in the *Federal Register*. Additionally, to support our revisions of the *Listings*, we entered into a partnership with the Institute of Medicine to establish a committee of medical experts to assist us in ensuring that the *Listings* are medically supportable, relevant, and technologically correct. For more information about the *Listings* see http://www.socialsecurity.gov/disability/professionals/bluebook/.

Expand Use of the *Electronic Claims Analysis Tool* (eCAT): We are testing a new web-based tool, eCAT, in the Disability Determination Services. This tool aides examiners in documenting, analyzing, and adjudicating disability claims in accordance with our regulations and policies to yield consistent, policy-compliant outcomes. We expect eCAT use will help produce well-reasoned decisions with easy-to-understand explanations of how we reached our decision. First tested in Virginia and Connecticut, we expanded testing of eCAT to 6 additional States in FY 2009 (Colorado, Delaware, Louisiana, Michigan, New Jersey, and North Carolina).

Develop and Implement a Disability Determination Services Common Case Processing System: There are 54 Disability Determination Services, each with its own unique case processing system that requires significant resources for ongoing support, maintenance, and enhancements. Before we implement disability case processing changes, we must modify each of the 54 systems, a logistical, costly, and time-consuming challenge. A common case processing system will eliminate these challenges and better position us to integrate upcoming health information technologies. Working collaboratively with state administrators, we have developed a business process model that will serve as our foundation for establishing the new system. Our state partners have agreed that we need a common system; in FY 2010, we will work closely with them to develop requirements and design the system.

Strategic Goal 3: Improve Our Retiree and Other Core Services

Service to the public has suffered as our staffing levels have not been sufficient to address growing workloads. In FY 2009, we began to feel the impact of baby-boomer retirements and the downturn of the economy. We received a record-breaking number of phone calls and had unprecedented levels of Social Security number-related workloads, while continuing to update and maintain millions of workers' earnings records. With additional funding provided by Congress, we were able to add approximately 1,400 additional employees in our front-line operational components.

While our budget and staffing plans support our core services, we cannot overlook the non-mission-related services we are asked to provide. For example, in accordance with the *Recovery Act*, we facilitated the issuance of one-time $250 economic recovery payments to almost 53 million eligible individuals in May 2009, just 3 months after this legislation was signed into law. We anticipate that other pending legislation, such as *E-Verify*, healthcare, and immigration reform, will have a significant impact on our services. Despite increasing demands and workloads, we remain committed to improving our retiree and other core services by targeting the following five objectives.

STRATEGIC OBJECTIVE 3.1: DRAMATICALLY INCREASE BABY BOOMERS' USE OF OUR ONLINE RETIREMENT SERVICES

Nearly 80 million baby boomers will file for retirement benefits over the next 20 years – an average of 10,000 per day. With this wave of new applications, it is essential that we provide multiple service options, which include easy, user-friendly online and automated services. In FY 2009, we launched our national effort to promote Social Security's new and improved online application for retirement benefits. Individuals filed more than 833,433 retirement applications online in FY 2009, more than a 100-percent increase from FY 2008 when we received 407,443 online retirement applications. We expect this increasing trend to continue.

Refine *Ready Retirement*: We continue to enhance our *Ready Retirement* initiative, which will fully streamline the retirement application process and allow online filing using *iClaim*, a tool that enables individuals to file electronically for retirement benefits from the comfort and convenience of their homes or offices. On average, individuals are able to complete the application in as little as 15 minutes – far shorter than the 45 minutes it often took to complete former versions of our online application.

We reduced the time it takes to complete our online application by streamlining our policies and procedures. For example, *iClaim* only asks questions pertinent to an applicant's personal situation based on information in our files (e.g., age, earnings, citizenship, and military service). These improvements eliminate the need for most individuals to visit their local field office to provide a copy of necessary documentation. As we gain more experience, we will continue to refine and enhance our critical retirement Internet services.

In FY 2010, we will implement another major release of *iClaim*, which will include a new abbreviated Internet application for users to file only for Medicare benefits. Since the full retirement age is now higher than age 65 for those born after 1942, many people are interested in only filing for Medicare while delaying their actual retirement benefits.

STRATEGIC OBJECTIVE 3.2: PROVIDE INDIVIDUALS WITH ACCURATE, CLEAR, UP-TO-DATE INFORMATION

Our notices communicate decisions, payment, and other important information, as well as inform individuals of their rights and responsibilities under our programs, including appeal rights. We issue approximately 390 million notices to the public each year, an average of more than 1 million notices a day, and we expect this to increase in the future. In comparison, about a quarter-million individuals contact our National 800 Number and over 100,000 individuals visit our field offices each day. Since we communicate by written notice far more frequently than by any other means, our notices must be clear, concise, and easily understood.

Although we do not have any FY 2009 performance measures under this objective, we will continue to assess and improve our agency notices through our *Notice Improvement Initiative*. In FY 2009, our notice improvement efforts included targeting high-volume, problematic notices, and obtaining input from those who receive our notices on how we can improve them. We implemented an improved notice of hearing, as well as an improved SSI denial notice. We also published revised notice standards, clear writing guidelines, and a national notice clearance process. Future notice improvement efforts will focus on improving notices that provide individuals with information regarding their disability claims, as well as continuing disability review and overpayment notices.

STRATEGIC OBJECTIVE 3.3: IMPROVE OUR TELEPHONE SERVICE

Our telephone service remains a primary option for providing effective and efficient service to the public. Last year, over 82 million calls were placed to our National 800 Number. We assist callers by answering questions they have about Social Security benefits, schedule appointments for them to file claims, or help them obtain information from their Social Security record. Last year, we processed almost 67 million transactions, of which 38 million were handled by our agents and 22 million were processed using our automated services. We expect the volume of transactions to increase even more in FY 2010. Improvements to our National 800 Number services in FY 2010 and beyond will include:

Increase Staffing Levels: In FY 2009, we hired about 260 additional National 800 Number teleservice center agents. We will continue to hire additional personnel as needed to improve the speed in which we answer calls, as well as increase our capacity to answer more calls.

Open New Teleservice Center: We are working with the General Services Administration to build a new teleservice center in Jackson, Tennessee, the first new call center to be opened in more than a decade. This center will improve service to the millions of Americans who call our toll-free National 800 Number and will officially open in FY 2011.

Replace Our National 800 Number Infrastructure: We will award and implement *Citizens Access Routing Enterprise through 2020*, a replacement of our National 800 Number telecommunications infrastructure. This new contract will replace two existing contracts with a *Voice over Internet Protocol* single system. The new system will include features that will allow us to keep pace with industry standards as we endeavor to quickly answer an increasing number of calls.

Explore Click-to-Communicate Technology: We will conduct planning and analysis to explore all click-to-communicate technologies, such as *Web Callback* (also called "click to talk"), to leverage both online services and web technology to allow National 800 Number agents to assist our online users in "real-time" as they conduct business with us.

STRATEGIC OBJECTIVE 3.4: IMPROVE SERVICE FOR INDIVIDUALS WHO VISIT OUR FIELD OFFICES

Our field offices are our front door for the American public. We will continue to assess and improve service for individuals who visit our field offices. For example, we will improve our field office reception areas and use new technologies such as self-help personal computers and Social Security TV to provide additional services to accommodate the increasing number of individuals who visit us each day. We are also incorporating new reception area features and designs to make visiting our offices a better experience. For individuals who live in remote areas and find it difficult to visit a field office, we are expanding our ability to serve them by using video service delivery. Video Service Delivery has been implemented in 37 field offices, 2 Disability Determination Services sites, and 13 third-party sites. Between April and October 2009, over 2,800 transactions were conducted via video including 578 retirement and survivors claims, 376 Social Security disability claims, and 378 SSI disability claims. The ultimate goal of these initiatives is to lay the groundwork for the *SSA Office of the Future*.

STRATEGIC OBJECTIVE 3.5: PROCESS OUR SOCIAL SECURITY NUMBER WORKLOAD MORE EFFECTIVELY AND EFFICIENTLY

Each year we process approximately 6 million original and 12 million replacement Social Security card applications. We also process more than one billion requests a year for Social Security number verifications using a variety of electronic exchanges with public and private organizations. The process of assigning Social Security numbers and issuing Social Security cards is referred to as enumeration. This workload is highly sensitive and often complex. As Congress continues to debate immigration reform, we expect additional work and complexity in this area. We must develop efficient ways to handle this workload electronically to meet increased enumeration workloads.

Strengthen the *Social Security Number Application Process* (SSNAP): Our employees currently use two systems to process Social Security card requests. The SSNAP initiative combines the functionality from the two systems into a single web-based application that ensures the integrity of the enumeration process. SSNAP was available in 21 field offices and 1 foreign service post at the end of 2009. We will fully implement SSNAP in all field offices, foreign service posts, and teleservice centers by FY 2011.

Launch an *Online Replacement Card Starter Kit*: We plan to launch an *Online Replacement Card Starter Kit* in FY 2010 that will allow some individuals to start the process of applying for a replacement Social Security card online at www.socialsecurity.gov. We will advise applicants of the documents we need and provide the location of the nearest field office or Social Security Card Center for them to complete the process. Field office personnel will access the online information and process the application as usual. Applicants will receive their replacement card in the mail within 14 days. This process makes the replacement card process more efficient by reducing the amount of time it currently takes to collect required information and documentation during the field office or Card Center interview.

Provide Central Locations to Process Social Security Number Applications: We currently have seven Social Security Card Centers located throughout the country. The Card Centers streamline and improve the integrity and stewardship of the Social Security number assignment process. Because of their specialized expertise, Card Center employees process applications for original Social Security numbers and replacement cards with a high degree of integrity, efficiency, and expertise. Applicants for new or replacement cards generally have shorter wait times in the Card Centers than in the field offices. Card Centers handle much of the Social Security number workload allowing nearby field offices to focus on other critical activities, which improves services in those field offices. We plan to open additional Card Centers in FYs 2010 and 2011.

Encourage Use of the *Social Security Number Verification Service*: The *Social Security Number Verification Service* allows registered users (employers and certain third-party submitters) to determine almost instantaneously if the reported names and Social Security numbers of employees match our records. We can provide immediate results for online verification requests for up to 10 names and Social Security numbers. We provide verifications on larger batched requests of up to 250,000 names and Social Security numbers usually the next business day. The service is available to employers to help ensure that the wages of their employees are accurately reported, however it does not verify employees' work eligibility. We will continue to encourage employers to use this free, Internet-based service, which will help minimize fraud, reduce Social Security number misuse and identity theft, and ensure the accuracy of earnings records.

Support *E-Verify*: *E-Verify* is a program administered by the Department of Homeland Security that allows employers to electronically verify the employment eligibility of newly hired employees. As of October 2009, more than 157,000 employers participated in *E-Verify*. Beginning September 8, 2009, the use of *E-Verify* became mandatory for contractors who are awarded federal contracts. After this date, contractors must use *E-Verify* for all new hires and any current employees working on federal contracts. We support the *E-Verify* program by providing Social Security number verification and citizenship information. In FY 2009, we handled approximately 9.4 million queries. In FY 2010, we expect *E-Verify* to process about 15 million queries. For more information about *E-Verify*, see http://www.dhs.gov/E-Verify.

Expand Enumeration-at-Entry: Prior to August 2009, this program allowed non-citizens age 18 or older to apply for a Social Security number with the Department of State or the Department of Homeland Security prior to or upon their arrival in the U.S. As a result of ongoing collaboration with these agencies, in FY 2009, we expanded Enumeration-at-Entry to process requests for children under the age of 18 who have applied for immigrant visas and a Social Security number.

In FY 2010, we plan to improve the current process by implementing additional systems checks to prevent the issuance of multiple Social Security numbers and increase our management information capabilities. We are proactively working with the Department of Homeland Security to expand the program to additional classifications of non-citizens, including individuals applying for admission to the U.S. who are under certain non-immigration visa classifications. These planned improvements will eliminate opportunities for fraud and reduce the number of Enumeration-at-Entry problem cases.

Implement Use of Auto Cards: We are working with the Department of Homeland Security to support their transmission of data directly to our enumeration system. This improvement will allow us to automatically and securely assign a Social Security number and issue a Social Security card without field office action for certain changes in alien and citizenship status. The new process will be available for three categories of individuals: 1) non-immigrants whose status changes to permanent resident status; 2) non-citizens applying for a work permit for the first time; and 3) individuals who become naturalized citizens. We plan to begin development for this multi-year initiative in FY 2010.

Strategic Goal 4: Preserve the Public's Trust in Our Programs

In FY 2009, we paid approximately 60 million individuals more than $700 billion in Social Security and SSI payments. In addition, we facilitated the issuance of $250 stimulus payment to almost 53 million eligible individuals in May 2009 – injecting about $13 billion into the economy. We take pride in our ability to accurately and efficiently administer our programs and in how we carefully manage the resources and safeguard personal information entrusted to us. To preserve this trust, we must invest more resources in our program integrity efforts and continue to adhere to sound management practices. Below we discuss our efforts to achieve the following six objectives established for this goal.

STRATEGIC OBJECTIVE 4.1: CURB IMPROPER PAYMENTS

Our program integrity workloads are critical to ensuring accurate payments, but our ability to carry out such workloads depends upon resources. Due to the tight budgets in the past, we had to make tough choices between service to the public and stewardship efforts. To maintain service, we had to reduce two of our most productive stewardship workloads as we described on pages 63 and 64 – SSI redeterminations and continuing disability reviews. However, we are beginning to reverse the overall decline in our program integrity reviews, and we expect to devote more funds towards such reviews in FY 2010. Below we discuss our initiatives to detect and prevent improper payments as well as collect debt.

Conduct Supplemental Security Income Redeterminations: SSI is a means-tested program that provides cash assistance to aged, blind, and disabled individuals with limited income and resources. Once individuals are eligible for these benefits, changes in their living arrangements or in the amount of their income or resources can affect their ongoing eligibility for or the amount of their benefit. In order to assure that we are making accurate SSI payments only to eligible individuals, we conduct periodic reviews of non-medical factors of eligibility called redeterminations. Redeterminations are a proven investment by ensuring that individuals who receive SSI are paid the correct amount based on their circumstances such as their income, resources and living arrangements. We currently estimate that redeterminations processed above the base level have a return on investment over 10 years of $7 in program savings for each $1 spent, including savings accruing to Medicaid. In FY 2010, we expect to conduct 2,422,000 SSI redeterminations, an increase of more than 690,000 over FY 2009. While increasing redeterminations is a step in the right direction, our program integrity efforts are still considerably less than they were at the beginning of this decade. We attribute our decline in SSI overpayment accuracy to the reduction in the number of redeterminations we have been able to complete.

Perform Continuing Disability Reviews: To ensure we pay disability benefits only to those who continue to meet our medical requirements, we periodically conduct continuing disability reviews. We have found that continuing disability reviews are highly productive; every $1 spent produces a $10 return. To make this process even more efficient, we continue to refine the continuing disability reviews mailer/statistical scoring model to screen cases and identify those for which a full medical review would not be cost-effective. We then conduct full medical continuing disability reviews for the remaining cases. We are also refining an electronic continuing disability reviews process, which increases our speed and potential productivity compared to a paper continuing disability review process.

Initiate Automated International Death Data Exchanges*:* In FY 2009, we initiated our first automated exchange of death data with a foreign country. Under the terms of the negotiated agreement, Australia and the U.S. provide information to each other electronically on the death of individuals who appear to be receiving Social Security benefits from the other country. As a result, death notifications are now provided more timely and improper payments can be avoided. We will continue to work with other countries to determine the viability of expansion.

Expand the *Access to Financial Institutions* Project: Individuals must meet specific income and resource criteria to qualify for SSI benefits. To determine whether individuals meet these criteria, we need to verify their resources, including those held in financial institutions. The *Access to Financial Institutions* project enables us to electronically verify account balances and identify undisclosed accounts, primary factors contributing to improper SSI payments.

Our studies indicate that up to four percent of individuals applying for SSI have undisclosed bank accounts that would result in a denial of benefits. We can obtain bank account information much faster with this electronic data exchange compared to current manual processes. We have implemented the *Access to Financial Institutions* project in California, New Jersey, and New York. We plan to expand this project to more States in FY 2010, with the ultimate goal of nationwide implementation.

Enhance Overpayment Collection Efforts: We make every effort to recover Social Security and SSI overpayments from the overpaid individual or a representative payee who may be liable for the overpayment. We have several avenues to collect debt. Withholding current benefit payments from the individual is preferable since debt is more difficult to recoup once benefits end; therefore, we make every effort to identify and collect debt as soon as possible. If the overpaid individual no longer receives benefits, we offer the opportunity to repay debt via monthly installment payments. If a repayment agreement cannot be arranged, we withhold debt from a variety of sources including federal tax refunds, federal annuities, and wages. We have enhanced our debt collection process through recovery via offset of state payments, including state tax refunds. In addition, we are exploring other debt-collection tools, such as use of private collection agencies and the application of administrative fees and interest charging.

STRATEGIC OBJECTIVE 4.2: ENSURE PRIVACY AND SECURITY OF PERSONAL INFORMATION

We consider privacy protection so important it was the subject of our first regulation in 1936. The regulation details our privacy policy and the permissible disclosures of personally identifiable information. It also reflects our commitment to maintaining the confidentiality and integrity of such information.

Although we do not have any FY 2009 performance measures under this objective, we engage in several practices to ensure privacy and security of personal information. For instance, we comply with the *Federal Information Security Management Act of 2002* by reporting annually to the Office of Management and Budget and to Congress on our ability to safeguard personally identifiable information. We also inform the public through notices in the *Federal Register* about our authority for collecting and using personal information. Additionally, we have specific plans to continue to develop new authentication solutions to provide a secure environment for online and telephone services.

STRATEGIC OBJECTIVE 4.3: MAINTAIN ACCURATE EARNINGS RECORDS

In FY 2009, we processed and posted more than 262 million reports of earnings to individuals' records. We base Social Security benefit amounts on a worker's lifetime earnings, so it is critical that we maintain accurate earnings records and credit the correct amount of earnings to the right person. Maintaining accurate earnings records is highly resource intensive and complex, but vital to the administration of our programs. We make every effort to ensure employers and workers have the tools to report wages accurately and correct any mistakes. We are taking the following efforts to ensure the accuracy of earnings records.

Issue Annual *Social Security Statements*: We issue the annual *Social Security Statement*, as required by law, so individuals can review their earnings record for accuracy and completeness. We mail the *Statement* to all workers age 25 and older who are not yet receiving Social Security benefits. The *Social Security Statement* arrives 2 to 3 months before an individual's birthday. It provides estimates of retirement, disability, and survivor benefits based on Social Security tax contributions and helps individuals plan for their financial future. More information is available at http://www.socialsecurity.gov/mystatement/.

In FY 2009, we completely redesigned the insert *"Thinking of Retiring,"* that we send to workers age 55 and older, which highlights retirement age considerations, the online *Retirement Estimator*, and the ease of filing online. We also began including an insert, *"What Young Workers Should Know About Social Security and Saving,"* for workers aged 25-35, which provides information about retirement planning and includes a chart illustrating the benefits of saving. In FY 2010, we will issue approximately 151 million *Social Security Statements*. To maximize the usefulness of the *Statement*, we will conduct formal surveys and meet with the public to solicit feedback on its design and content. We will use the feedback to make necessary revisions and enhancements.

Increase Electronic Wage Report Filing: We continue to eliminate paper wage reports as we migrate to an electronic earnings record process. Annually, we receive over 43 million paper wage reports from approximately 4.4 million employers. Since paper wage reports are more error-prone, labor intensive, and expensive to process, we will continue to encourage employers to use our *Business Services Online* to file Forms W-2 for their employees electronically. We will inform employers about electronic wage reporting through online information and resources, promotional materials, payroll conferences, articles in trade publications, and direct contact. Additionally, we will continue to work and collaborate with the Internal Revenue Service to improve all aspects of wage reporting.

Implement *Earnings: The Next Generation* Initiative: Our earnings systems, last modernized in 1994, involves manual processes that make it error-prone and poorly suited for today's Internet environment. We are redesigning our systems to transform our earnings process from paper to electronic. Some benefits of this redesign include timely wage postings, increased accuracy of posted earnings, and better Social Security number verification. In FY 2010, we will begin modernizing the system that processes self-employment earnings, as well as unifying the multiple systems that process corrections to earnings records.

STRATEGIC OBJECTIVE 4.4: SIMPLIFY AND STREAMLINE HOW WE DO OUR WORK

We must simplify and streamline our policies and procedures as well as transform our business processes to an electronic environment if we are to meet the challenges of our growing workloads and provide the best service possible. Although we do not have any FY 2009 performance measures under this objective, we continue to develop legislative proposals to improve our policies and address differences and difficulties in the application of disability policy and procedures at all decision-making levels.

Our front line employees use the policies and procedures contained in the *Program Operations Manual* to process workloads. We recently conducted a survey of policy experts to identify areas of the *Manual* that need revision. We will use the survey results to plan and prioritize necessary revisions that we will accomplish in FY 2010.

STRATEGIC OBJECTIVE 4.5: PROTECT OUR PROGRAMS FROM WASTE, FRAUD, AND ABUSE

Our programs are a tempting target for fraud and abuse. We maintain a strong detection and prevention program to deter those contemplating fraudulent activities. We also collaborate with other federal agencies to investigate and prosecute fraud, expand forensic computer crime detection capabilities, and strengthen fraud prevention by adding new checks and balances in our processes. We will continue a wide array of activities to protect our programs from waste, fraud, and abuse.

Develop Tools to Fight Against Fraud: We receive numerous documents in conducting our business, including those to establish an individual's age, identity, and citizenship or lawful alien status. As such, we must continually be watchful for altered or fraudulent documents. In FY 2009, we established a *Document Verification* website to assist our front-line employees in identifying suspect or fraudulent documents. This website serves as a one-stop portal for links to a number of resources employees can access to help investigate the authenticity of documents submitted. For example, the *Document Verification* website provides a link to the *Docutector* website, an online guide for verifying the authenticity of U.S. and Canadian drivers' licenses and other state-issued documents.

Conduct *Onsite Security Control and Audit Reviews*: We continue to conduct ongoing *Onsite Security Control and Audit Reviews* to ensure our field offices, teleservice centers, processing centers, Disability Determination Services, and hearing offices follow established policies and procedures, and verify that management controls are in place to deter and detect waste, fraud, and abuse. The reviews identify any major problems before they lead to material weaknesses. Office managers are required to submit a corrective action plan detailing corrective actions for each deficiency cited during the review. We also monitor corrective actions to ensure offices have addressed each deficiency.

Ensure the Integrity of Our Annual Financial Statements: Each year, as mandated by the *Chief Financial Officers Act of 1990*, our Office of the Inspector General (OIG), or an independent external auditor as determined by the OIG, audits our financial statements in accordance with applicable standards. We are proud that FY 2009 was the 16th consecutive year that we received an unqualified audit opinion. An unqualified audit opinion attests to the fair presentation of our financial statements and demonstrates the discipline and accountability essential to our responsibilities as stewards of Social Security funds. Furthermore, an unqualified audit opinion assures the public and Congress that: 1) our financial statements conform to generally accepted accounting principles; 2) we fairly state that our internal controls over financial reporting are operating effectively; and, 3) we are in compliance with the laws and regulations. Refer to the *Auditor's Reports* section, beginning on page 145, for more information on the audit.

OBJECTIVE 4.6: USE "GREEN" SOLUTIONS TO IMPROVE OUR ENVIRONMENT

In accordance with *Executive Order 13423 (http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=22395&noc=T)* to strengthen federal environmental, energy and transportation management, we continue our tradition of "going green." Doing so benefits the environment and saves taxpayer dollars by minimizing waste and reducing energy consumption. In FY 2009, we established an internal website for agency employees, *SSA is Getting Greener*. This website provides an online resource for our "green" projects and activities. We encouraged our regional offices to add links that promote "green" initiatives and to provide information for employees about local resources that promote environmentally friendly services such as public transportation and recycling.

Figure 4 *Going Green* at our Southeastern Program Service Center

We are making environmentally conscientious decisions by purchasing computers with *Energy Star* ratings, and we are enabling our workstations to use the power saving *Wake-On-Lan* technology. Additionally as we build and renovate our facilities, we will use environmentally sustainable strategies, including green roofs, solar panels, wind turbines, energy efficient lighting, climate control, and other "green" improvements. In January 2009, the new Southeastern Program Service Center building in Birmingham, Alabama celebrated its 1-year anniversary. It has a green roof that reduces the building's carbon footprint through absorption of carbon dioxide and by incorporating oxygen-producing plants and vegetables, a raised floor system that provides better ventilation for improved air quality, and a "natural light harvesting" system designed to capture as much natural sunlight as possible. This building won a *Best of the Best Award* in FY 2009 in the Government category. Refer to page 14 for more details about this award. For more information on our efforts to "go green," see http://www.socialsecurity.gov/pgm/earthday.htm

OUR PROGRAM PERFORMANCE MEASURES

The Office of Management and Budget assesses the effectiveness of federal programs by identifying strengths and weaknesses to assist executives in making informed budget and management decisions. As part of the assessment, the Office of Management and Budget evaluates our programs– Old-Age, Disability, and Survivors Insurance and SSI.

We provide Program Performance Measures and targets that the Office of Management and Budget uses to evaluate the effectiveness of our programs. In FY 2009, we had 18 Program Performance Measures. Eight of these measures were also *Government Performance and Results Act* performance measures that we indicate as such in the *Performance Summary of Goals and Results* on page 16.

Program Performance Measures included in the program assessments emphasize the relationship between outcome, output, and efficiency measures, because each kind of measure provides valuable information about program performance. Collectively, these measures convey a comprehensive story regarding what products and services agencies provide, how well they do so, and with what result. The Office of Management and Budget is in the process of overhauling the performance metrics system. In the interim, we have continued to monitor these important Program Performance Measures included in the program assessments.

Figure 5: This is a picture of a few of the hundreds of cardpunch operators SSA employed throughout the late 1930s and into the 1950s to maintain Social Security records in the days before the advent of computers.

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unqualified opinion on our financial statements from our Office of the Inspector General. These statements combined the results from the programs we administer which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate funds which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 91 through 144 of this report.

Balance Sheet: The Balance Sheet displayed on page 92 presents our assets, liabilities, and net position. Total assets for FY 2009 are $2,553.6 billion, a 5.8 percent increase over the previous year. Of the total assets, $2,538.2 billion primarily relates to earmarked funds for the OASI and DI programs and approximately 98.1 percent are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. Investments increased $137.1 billion over the previous year primarily due to tax revenues of $668.2 billion and interest on those investments of $118.2 billion, exceeding the cost of operations of $731.6 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 86.2 percent of the growth of the investments, up from 62.2 percent in 2008.

Liabilities grew in 2009 by $7.6 billion primarily because of the growth in benefits due and payable. The majority of our liabilities (84.2 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. Our net position grew $131.3 billion to $2,458.8 billion, reflecting the higher growth in assets than liabilities. The table below gives a brief summary of the change in our net position from FY 2008 to FY 2009.

Financial Position (dollars in billions)

	FY 2009	FY 2008	Increase/(Decrease)	% Change
Total Assets	$2,553.6	$2,414.7	$138.9	5.8%
Less: Total Liabilities	$94.8	$87.2	$7.6	8.7%
Net Position (Total Assets less Total Liabilities)[1]	$2,458.8	$2,327.5	$131.3	5.6%

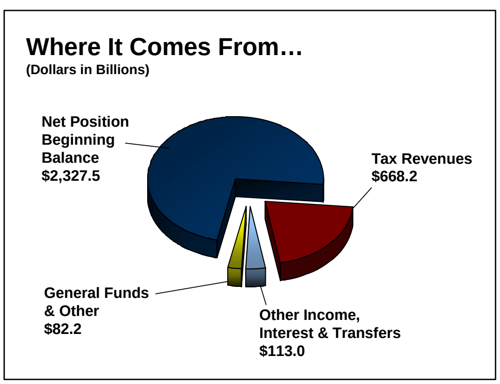
1. Totals do not necessarily equal the sum of rounded components.

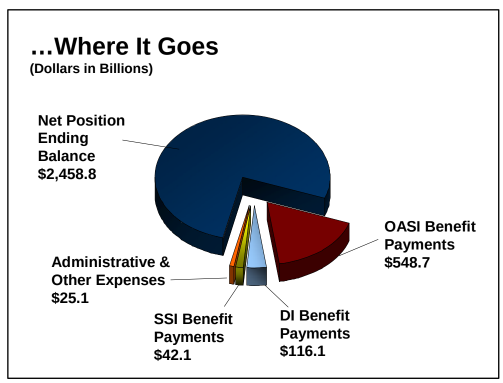
Statement of Net Cost: The Statement of Net Cost displayed on page 93 presents the annual cost of operating our four major programs. In FY 2009, our net cost of operations increased $73.3 billion to $731.6 billion, primarily due to the first wave of baby boomers attaining retirement age. Of this increase, $59.3 billion resulted from increased benefit payments and $14.0 billion resulted from increased operating expenses. Our Statement of Net Cost is divided into sections by the major programs that we administer. These programs are the OASI program, DI program, SSI program, and Other program. The following paragraph notes the major changes that occurred in these four programs in FY 2009.

Regarding the OASI program, net cost grew 8.6 percent; benefit payments grew 8.6 percent; operating expenses grew 5.3 percent; the number of OASI beneficiaries grew 2.8 percent to 42.6 million; and average benefit payments grew by 6.9 percent to $1,094.64 per month. For the DI program, net cost grew 11.4 percent; benefits payments grew 11.5 percent; operating expenses increased by 5.8 percent; the number of DI beneficiaries grew by 4.9 percent; and average benefit payments increased 6.1 percent to $916.67 per month. The SSI program's net cost grew 9.9 percent; benefit payments grew 9.8 percent; operating expenses increased by 11.3 percent; the number of SSI beneficiaries grew by 2.4 percent; and the maximum benefits for eligible individuals increased by 5.8 percent to $674 per month. The operating expenses of the Other program grew 725.5 percent. This increase is primarily due to $13.1 billion one-time economic recovery payments made to eligible Title II and Title XVI beneficiaries reported as operating expenses. The operating expenses also include administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds and administrative expense for the Medicare Saving Program and the Low Income Subsidy Program.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 94 reflects the changes that occurred within cumulative results of operations and unexpended appropriations. The statement shows an increase of $131.3 billion in the net position of the agency, which is attributable to financing sources in excess of the agency's net cost. At this time, tax revenues continue to exceed benefit payments made to OASI and DI beneficiaries, keeping the agency's programs solvent. We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses is 1.7 percent. One-time economic recovery payments recorded during FY 2009 in the amount of $13.1 billion have been excluded from the agency's administrative expenses.

In FY 2009, total financing sources grew by $20.2 billion to $863.0 billion. The $863 billion in total financing sources from the Statement of Changes in Net Position will not match the total financing sources in the chart below. The activity in the chart includes $0.4 billion in exchange revenue which is reported on the Statement of Net Cost. The primary source for this growth is the $14.8 billion of *American Recovery and Reinvestment Act* authority received in FY 2009. The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2009.



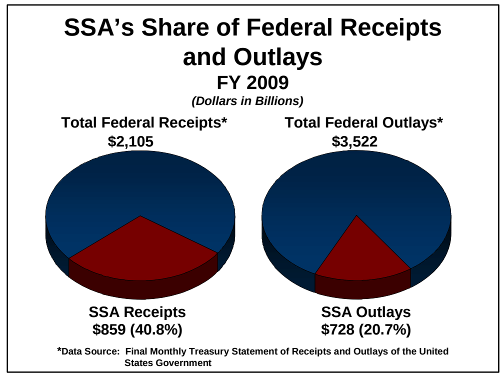


Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 95 provides information on the budgetary resources available to SSA for the year and shows the status of those resources at the end of FY 2009. The statement shows that we had $777.0 billion in budgetary resources of which $2.6 billion remained unobligated at year-end. We recorded total net outlays of $727.6 billion by the end of the year. Budgetary resources grew $77.3 billion, or 11.0 percent from 2008, while net outlays increased $69.8 billion, or 10.6 percent.

Statement of Social Insurance: Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 96 for the Social Security programs covers a period of 75 years in the future and the information and disclosures presented are deemed essential to fair presentation of our financial information.

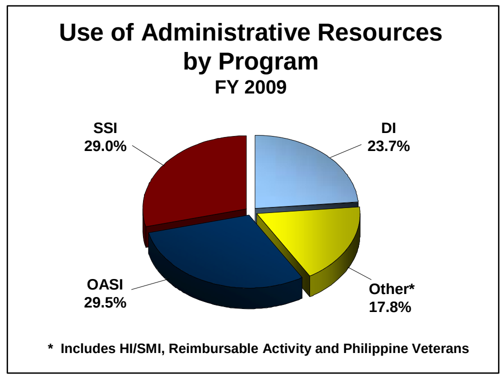
SSA's Share of Federal Operations

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government as shown in the chart to the right. Receipts for our programs represented 40.8 percent of the $2.1 trillion in total Federal receipts, an increase of 7.0 percent over last year as payroll tax collections grew more rapidly than Federal income tax collections. Outlays decreased by 1.7 percent to 20.7 percent of Federal outlays.



Use of Administrative Resources

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2009 in terms of the programs we administer or support. Although the DI program comprises only 16.4 percent of the total benefit payments we make, it consumes 23.7 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.0 percent of the total benefit payments we make, it consumes 29.0 percent of annual administrative resources. State Disability Determination Services process claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2008 use of administrative resources by program was 30.6 percent for the OASI program, 24.4 percent for the DI program, 28.3 percent for the SSI program, and 16.7 percent for Other.



OASI AND DI TRUST FUND SOLVENCY

Pay-as-you-go Financing

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 39.6 months at the end of FY 2005 to an estimated 42.9 months at the end of FY 2009, an increase of 8.4 percent.

Number of Months of Expenditures Fiscal-Year-End Assets Can Pay[1]

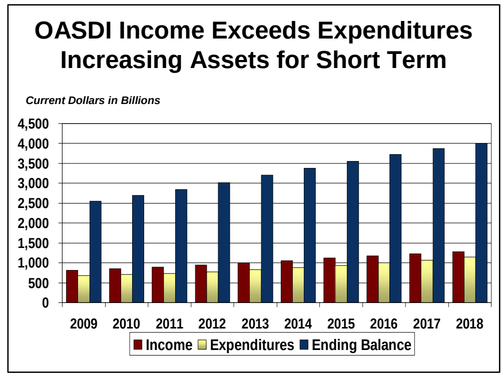
	2005	2006	2007	2008	2009
OASI	42.6	44.0	46.3	46.9	47.9
DI	25.0	25.0	23.9	22.1	19.9
Combined	39.6	40.9	42.4	42.5	42.9

[1] Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2008 and 2009 are estimates that are based on 2009 Trustees Report intermediate assumptions.

Short-Term Financing

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2009 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2009 Trustees Report, OASDI estimated expenditures and income for 2018 are 84 percent and 59 percent higher than the corresponding amounts in 2008 ($625 billion and $805 billion, respectively). From the end of 2008 to the end of 2018, assets are expected to grow by 66 percent, from $2.4 trillion to $4.0 trillion.



Long-Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2016, program cost will exceed tax revenues, and, in 2037, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is $5.3 trillion, which is 1.9 percent of taxable payroll and 0.7 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 129 through 144 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 92 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to 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.

SYSTEMS AND CONTROLS

MANAGEMENT ASSURANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT
FISCAL YEAR 2009

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular No. A-127, Financial Management Systems. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2009.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular No. A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2009.

Michael J. Astrue
Commissioner
November 9, 2009

Agency Federal Managers' Financial Integrity Act Program

We have a well-established agency-wide management control and financial management systems program as required by FMFIA. We accomplish the objectives of the program by:

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

We have no FMFIA material weaknesses to report this year. Our managers are responsible for ensuring that effective controls are implemented in their areas of responsibility. We require senior-level executives to submit to the Commissioner an annual statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require reporting, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

Our Executive Internal Control committee, consisting of senior managers and chaired by the Deputy Commissioner, ensures our compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the agency, the Executive Internal Control committee determines if the weakness should be considered a material weakness and thus submitted to the agency head for final determination.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. We test the controls prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of our operations and systems to provide an overall assurance that our business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circular Nos. A-123, A-127, and A-130.

Management Control Review Program

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes such as enumeration, earnings, claims and post-entitlement events, and debt management. Reviews are conducted at our field offices, program service centers, hearings offices, and at the state Disability Determination Services.

We contract with an independent public accounting firm to review our management control program, evaluate the effectiveness of the program, and make recommendations for improvement. Annually, the contractor reviews operations at our central office and selected regional offices.

These reviews have indicated that our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems Review Program

OMB Circular No. A-127 requires agencies to maintain a Financial Management Systems (FMS) inventory and to conduct reviews to ensure FMS requirements are met. In addition to exclusively financial systems, we also include all major programmatic systems in this FMS inventory. On a 5-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2009, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

Federal Financial Management Improvement Act

The Commissioner has determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2009. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2009 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractor.

Financial Statement Audit

Summary of Results	
Clean Opinion on Financial Statements	Yes
Material Weaknesses	None
Compliance with Federal Financial Management Improvement Act (FFMIA)	Yes

The Office of the Inspector General (OIG) conducted the audit of our FY 2009 financial statements. The OIG contracted with PricewaterhouseCoopers, LLP for certain audit services in support of the audit. The OIG found that the basic financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The OIG also found that management fairly stated that our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations, or other matters.

However, the OIG did identify the need to improve certain of our internal controls, and reported this as a significant deficiency in their audit report. The auditors found that a policy and procedure had not been established and consistently implemented across the agency to periodically reassess the content of security access to ensure employees and contractors are given least privilege access to perform their job responsibilities. The OIG recommended that SSA management implement a policy which would require a periodic review of the content of the agency's profiles. SSA concurs with the finding, and will implement the necessary policy and procedures to strengthen the review of the content of the agency's profiles.

Federal Information Security Management Act

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual testing and review of their Major Information Technology Security Program. This reporting activity includes: security testing of all required controls, a review/update of the agency systems inventory, configuration management for all operating platforms, Plan of Actions and Milestones, report of all security incidents, and Information Technology security awareness training for employees and contractors. The results of these activities are reported to OMB. An independent contractor's evaluation indicated that our Security Program substantially met the established FISMA requirements.

Financial Management Systems Strategy

Over the years, we have worked hard to improve our financial management practices. Our strategy is to continue to develop new initiatives that will enhance the existing financial and management information systems. Our actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Going forward, our goal is to achieve government-wide and internal financial management milestones established for improvement.

Our financial management systems (FMS) inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. We maintain an inventory of twelve FMS that are categorized under the broad categories of Program Benefits, Debt Management, or Financial/Administrative.

We are continuing the long-term development of our FMS following a defined strategy. In the Program Benefits category, we are streamlining the systems and incorporating new legislative requirements, while in the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt.
In the Financial/Administrative category, the Social Security Online Accounting and Reporting System, a federally-certified accounting system based on Oracle Federal Financials, was implemented as our System of Record on October 1, 2003. Throughout FY 2009, we continued to exercise the Commercial Off-the-Shelf (COTS) technology available in this software to integrate agency financial systems that traditionally integrate with the Social Security Online Accounting and Reporting System by providing real-time access to validate accounting information and fund availability. We continue to outsource some of the day-to-day maintenance of the system to Oracle on Demand, which is considered to be a first step in meeting the Financial Management Line of Business (FMLoB) requirements by OMB. During FY 2009, SSA became the first Federal agency to upgrade the COTS software to Oracle Release 12, which is a major milestone toward meeting FMLoB requirements.

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SOCIAL SECURITY ADMINISTRATION

PERFORMANCE SECTION

AGENCY PERFORMANCE

INTRODUCTION

For more than 70 years, Americans have been able to turn to Social Security during good times as well as during times of economic turmoil and uncertainty. People count on us to be there for them when they unexpectedly lose their job due to a disabling condition or when they leave the workforce for retirement. During this current economic downturn when millions of Americans have found themselves in uncertain financial waters, more Americans have turned to us than ever before. Due to the combined effect of the economic downturn and the aging of the baby boomers, retirement and disability claims soared in FY 2009. We also use substantial resources to complete other statutory work such as processing Medicare Part D subsidy applications and immigration enforcement.

In FY 2009, we focused our attention and resources on 13 strategic objectives that support our 4 overarching strategic goals to accomplish our mission. We developed 25 performance measures and related targets to track our progress in meeting our strategic goals and objectives. We explained these goals, objectives, measures, and targets in our *Annual Performance Plan for Fiscal Year 2010 and Revised Final Performance Plan for Fiscal Year 2009.* This section of the *Performance and Accountability Report* documents our performance and provides discussions of the actions that enabled us to attain our performance measures for FY 2009. Even with overall agency resource constraints and increased workloads in FY 2009, we met 21 of 22 performance measure targets for which we have end of year data. We will not have data on 3 performance measures until later in 2010. We were able to meet our FY 2009 performance measures because of our dedicated staff, innovative technology initiatives, streamlined procedures, and increased productivity.

The performance data presented in this section comply with the Office of Management and Budget's guidance provided in Circulars A-11 and A-136. The section *How We Ensure Data Quality* on page 20 describes our continuing efforts to enhance the quality and timeliness of our performance data to increase its value to agency management and other interested parties. Our executives routinely use these performance data to improve the quality of program management and to demonstrate accountability in achieving program results.

STATUS OF FY 2009 PERFORMANCE MEASURES BY GOAL AND OBJECTIVE

In this section, we:

- List our FY 2009 performance measures, organized by strategic goal and objective. For each performance measure, we provide the FY 2009 target, actual performance, a discussion about the measure and target, data definition, and data source;
- Include historical data and trend charts for the current year and 4 prior fiscal years when available;
- Indicate, for measures where final FY 2009 data are not yet available, when they will be available and that we will report our FY 2009 performance in the *Fiscal Year 2010 Performance and Accountability Report*;
- Provide data for performance measures discussed in our *Fiscal Year 2008 Performance and Accountability Report* where final FY 2008 data were not available when published;

- Round actual performance data to the nearest whole number or decimal point using the standard rounding convention;
- Provide FY 2009 results or provide the status on each of our Program Performance Measures (pages 71-80); and
- Discuss our *Program Evaluations* (pages 81-88).

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Strategic Objective 1.1: Increase our capacity to hear and decide cases

1.1a: Process the budgeted number of hearings

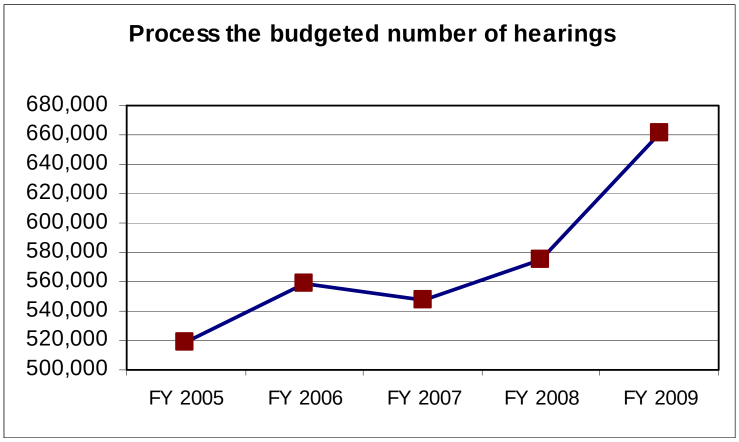
FY 2009 Target:	647,000
Performance:	660,842
Target Achieved:	Yes

Discussion: Since the issuance of our *Hearings Reduction Backlog Plan* in FY 2007, we have taken an aggressive approach to implementing numerous initiatives focused on improving hearing office procedures, increasing adjudicatory capacity, and increasing efficiency with automation and improved business processes. In FY 2009, although challenged by the highest annual total hearing requests ever received, we met this target by processing 13,842 more hearings than our FY 2009 target. This fiscal year we continued to improve our hearing level performance by:

- Hiring 147 new administrative law judges (ALJ) and 850 support staff;
- Improving ALJ productivity to an average of 2.37 cases per day per available judge;
- Increasing the use of video hearings to minimize travel to hearing sites for individuals, representatives, and ALJs;
- Opening three new fully-electronic National Hearing Centers to provide flexibility in addressing our backlog and targeting assistance to heavily backlogged areas across the country;
- Increasing use of senior attorney adjudicators to review cases early in the hearings process and issue fully-favorable on-the-record decisions when appropriate;
- Using the informal remand process to send cases back to Disability Determination Services for review and possible favorable determinations, thereby precluding the need for a hearing;
- Rolling out a centralized printing and mailing process for hearing level notices;
- Refining and implementing a standardized electronic business process in 30 hearing offices; and
- Developing numerous enhancements to hearing office electronic processing systems.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	559,000	575,380	Yes	⬆
2007	555,000	547,951	No	⬇
2006	560,000	558,978	No	⬇
2005	525,000	519,359	No	⬇

Data Definition: The number of hearing requests processed in the current fiscal year up to the number budgeted.

Data Source: Case Processing and Management System

Strategic Objective 1.2: Improve our workload management practices throughout the hearing process

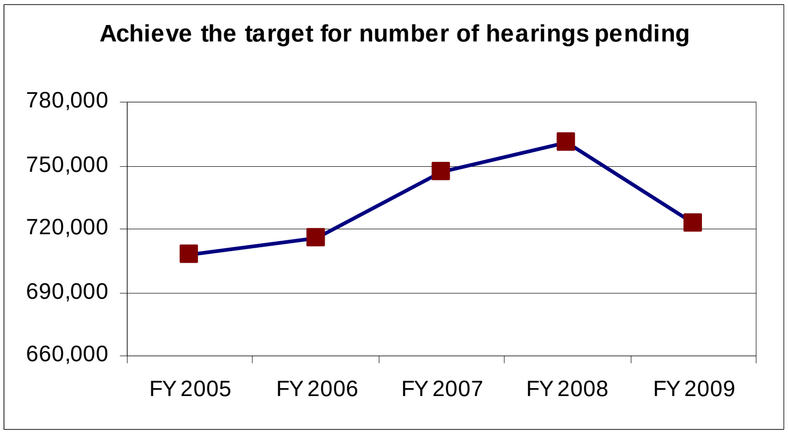
1.2a: Achieve the target for number of hearings pending

FY 2009 Target: 755,000
Performance: 722,822
Target Achieved: Yes

Discussion: In FY 2009, we received more requests for hearings than ever (622,851) and 33,402 more than FY 2008. Despite this, for the first time since 1999, we ended the fiscal year with fewer hearings pending than at the start of the year – a reduction of 37,991 cases. We also reduced the number of hearings pending for nine consecutive months. We achieved this target through a wide array of efforts, including hiring additional ALJs and support staff; increasing use of video hearings; implementing numerous enhancements to the hearing office business process; opening National Hearing Centers to assist heavily backlogged offices; improving hearing office automation; and using front-end screening procedures to identify possible on-the-record allowances. The elimination of the hearings backlog will remain our top priority, and we are on track to reach the optimal pipeline level of 466,000 pending hearings by FY 2013.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	752,000	760,813	No	⇩
2007	738,000	746,744	No	⇩
2006	756,000	715,568	Yes	⇧
2005	714,000	708,164	Yes	⇧

Data Definition: The number of hearing requests pending at the end of the fiscal year compared to the target.

Data Source: Case Processing and Management System

1.2b: Achieve the target to eliminate the oldest hearings pending

FY 2009 Target: Less than 1% of hearings pending 850 days or older
Performance: 228 of 166,838 cases remained pending (.14%)
Target Achieved: Yes

Discussion: We redefined our aged case target for FY 2009 to hearing requests that would be 850 days or older by the end of the fiscal year. We began the year with 166,838 cases that met the criteria. Through continuing emphasis and monitoring, as of September 30, 2009, we reduced the number of hearing requests pending over 850 days to 228, or .14 percent of hearings pending, thereby meeting our target. For FY 2010, we established a new lower target focusing on cases that will be 825 days or older by the end of the fiscal year.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend:

Fiscal Year	Target	Performance	Target	Achieved?
2008	Less than 1% of hearings pending 900 days or older	281 of 135,160 cases remained pending (.2%)	Yes	⇧

Data Definition: The percentage of oldest hearings pending. The oldest hearings are those cases identified as those cases that are pending or will be pending 850 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of hearings pending 850 days or more at the end of the fiscal year by the universe of oldest hearings identified.

Data Source: *Case Processing and Management System*

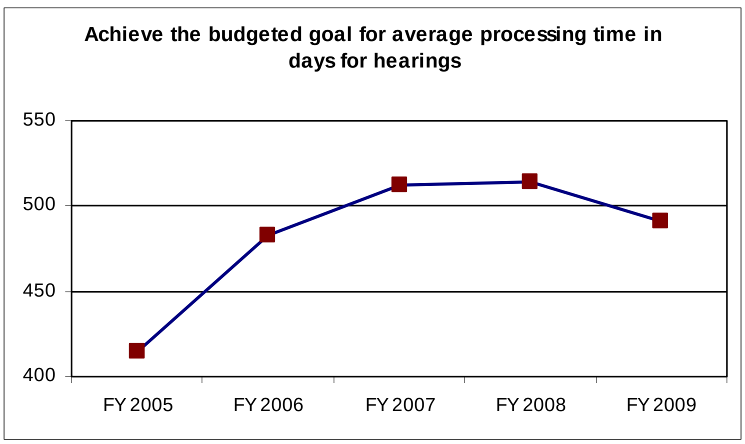
1.2c: Achieve the budgeted goal for average processing time in days for hearings

FY 2009 Target:	516 days
Performance:	491 days
Target Achieved:	Yes

Discussion: We recognized that our efforts to process our oldest cases would likely inflate overall average processing time for hearings. However, as a result of our backlog reduction initiatives; our constant monitoring and focus; increased staffing; front-end screening procedures to identify possible on-the-record allowances; and enhancements to the electronic business process, we were able to lower the average processing time for hearings from 514 days in FY 2008 to 491 days in FY 2009. These efforts ensured we met this target.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	**Target**	**Performance**	**Target**	**Achieved?**
2008	535 days	514 days	Yes	
2007	524 days	512 days	Yes	
2006	467 days	483 days	No	
2005	442 days	415 days*	Yes	

Data Definition: The average processing time for hearing decisions compared to the target. The average processing time is the cumulative processing time for all hearings processed divided by the total number of hearings processed in the fiscal year.

Data Source: *Case Processing and Management System*

Remarks:
This measure is also a *Program Performance Measure.*

*FY 2005 data included Medicare hearings. Beginning in FY 2006, Medicare hearings were no longer included as the Centers for Medicare and Medicaid Services assumed this workload.

1.2d: Achieve the target to eliminate the oldest Appeals Council cases pending

FY 2009 Target:	Less than 1% of Appeals Council cases pending 750 days or older
Performance:	10 of 12,184 cases remained pending (.08%)
Target Achieved:	Yes

Discussion: We focused on eliminating the oldest cases at all levels of adjudication including the Appeals Council level. In FY 2009, we were successful in working down our oldest Appeals Council cases using the same approaches we used at the hearing level. We redefined our aged case target for FY 2009 to Appeals Council cases that would be 750 days or older by the end of the fiscal year. We began the year with 12,184 cases that met the criteria. Through continuing emphasis and monitoring, refinements to the web-based *Appeals Review Processing System* that supports processing of electronic folders at the Appeals Council level, as well as hiring more than 200 additional Appeals Council staff, we reduced the number of Appeals Council cases pending over 750 days to 10, or .08 percent. We met our target and, in FY 2010, plan to eliminate most cases over 700 days old.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The percentage of oldest Appeals Council cases pending. Oldest cases are identified as those cases that are pending, or will be pending 750 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of cases pending 750 days or more at the end of the fiscal year by the universe of oldest Appeals Council cases identified.

Data Source: *Appeals Review Processing System*

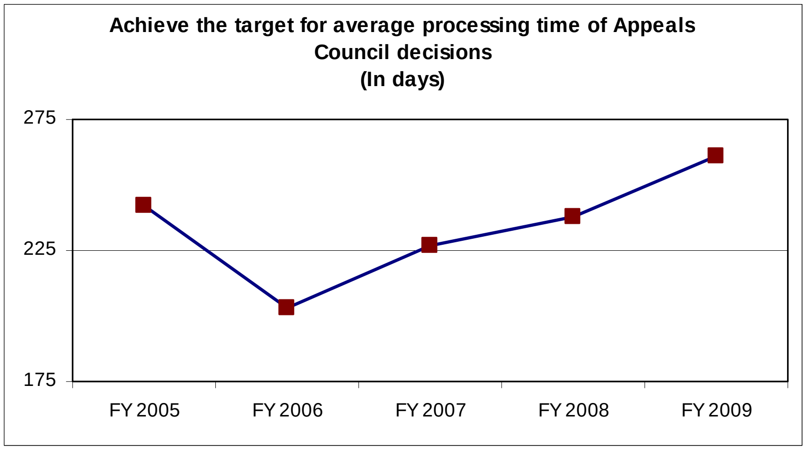
1.2e: Achieve the target for average processing time of Appeals Council decisions

FY 2009 Target:	265 days
Performance:	261 days
Target Achieved:	Yes

Discussion: We are committed to reducing the overall processing time of the Appeals Council workload and ensuring that a backlog of cases does not develop. In FY 2009, Appeals Council receipts continued to outpace dispositions, and their pending workload continued to grow. We received 13,542 more receipts than in FY 2008, an increase of over 14 percent. Despite more receipts and increasing pending levels, coupled with our emphasis on processing the oldest and most complex Appeals Council cases, we were able to meet this processing time target using the initiatives described in the *Discussion* in 1.2d above.

Please refer to *Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence* beginning on page 22 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	242 days	238 days	Yes	⬆
2007	242 days	227 days	Yes	⬆
2006	242 days	203 days	Yes	⬆
2005	250 days	242 days	Yes	⬆

Data Definition: The average processing time for Appeals Council decisions compared to the target. The average processing time is the cumulative processing time for all Appeals Council decisions divided by the total number of Appeals Council decisions processed in the fiscal year.

Data Source: *Appeals Review Processing System*. Prior to March 2008, the data source was the *Appeals Council Automated Processing System.*

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process

Strategic Objective 2.1: Fast-track cases that obviously meet our disability standards

2.1a: Achieve the target percentage of initial disability claims identified as a *Quick Disability Determination* or a *Compassionate Allowance**

FY 2009 Target: 3.8%
Performance: 3.8%
Target Achieved: Yes

Discussion: The *Quick Disability Determination* and the *Compassionate Allowance* processes enable us to fast-track certain cases by using predictive modeling and computer-based screening tools, to identify those applicants with the most severe disabilities. In addition to quickly providing benefits to the most severely disabled individuals, these fast-tracked allowances free up resources that we can use to help process the significant increase in initial disability applications. In FY 2009, we continued to refine the *Quick Disability Determination* predictive model and use it to its maximum capacity to accurately identify these cases. We also continued to expand our initial list of *Compassionate Allowances* through public hearings and consultations with the medical, research, and advocacy communities. In FY 2009, we issued more than 92,000 favorable disability determinations under these two fast-track processes.

Please refer to *Goal 2: Improve the Speed and Quality of Our Disability Process* beginning on page 24 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The percentage is derived by dividing the total number of initial disability cases identified as a *Quick Disability Determination* or a *Compassionate Allowance* or both by the total number of electronic initial disability claims filed in the last month of the current fiscal year.*

Data Source: *Executive and Management Information System*, *Disability Management Information*

Remark:
*The *Data Definition* has been revised to correct an erroneously worded definition reported in the *Annual Performance Plan for Fiscal Year 2010 and Revised Final Annual Performance Plan for Fiscal Year 2009.* Our revision clarifies that cases identified and claims filed are from the last month of the current fiscal year.

2.1b: Process the budgeted number of initial disability claims

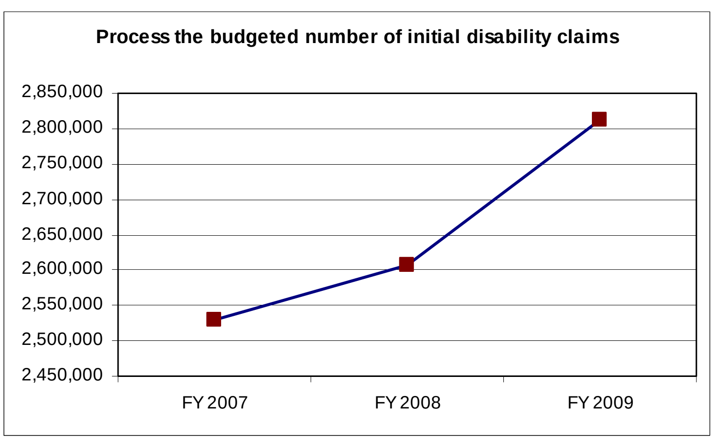
FY 2009 Target:	2,637,000
Performance:	2,812,918*
Target Achieved:	Yes

Discussion: Our disability workloads consume over half of our operational workyears and are arguably our most complex workloads. Due to the combined effects of the aging of the baby boomers and the economic downturn, we received 431,555 more initial disability claims in FY 2009 than we received in FY 2008. As a result, FY 2009 saw the highest level of receipts in the history of the disability program. Despite these challenges, through the effective use of increased hiring and overtime; technology to fast-track certain case types; an efficient electronic business process; and increased availability of electronic medical evidence, we met and exceeded our target by over 175,000 cases.

In addition, since we anticipate receiving over 3.3 million initial disability claims in FY 2010 – a 10-percent increase over FY 2009 – we developed a comprehensive multi-year strategy for handling increased initial disability claims receipts that includes additional hiring, policy simplifications, and adding personnel to state and federal units that will provide extra capacity to process claims for areas of the country hardest hit.

Please refer to Goal *2: Improve the Speed and Quality of Our Disability Process* beginning on page 24 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	2,582,000	2,607,282	Yes	⬆
2007	2,530,000	2,529,721	No	⬇

Data Definition: The number of Social Security and Supplemental Security Income (SSI) initial disability claims processed in the Disability Determination Services and other agency components in the current fiscal year up to the budgeted number.

Data Source: *National Disability Determination Services System* and *Disability Operational Data Store*

Remark:
*The FY 2009 performance number includes cases processed by all components, whether federal or state. In prior years, the performance number only included cases processed by the states.

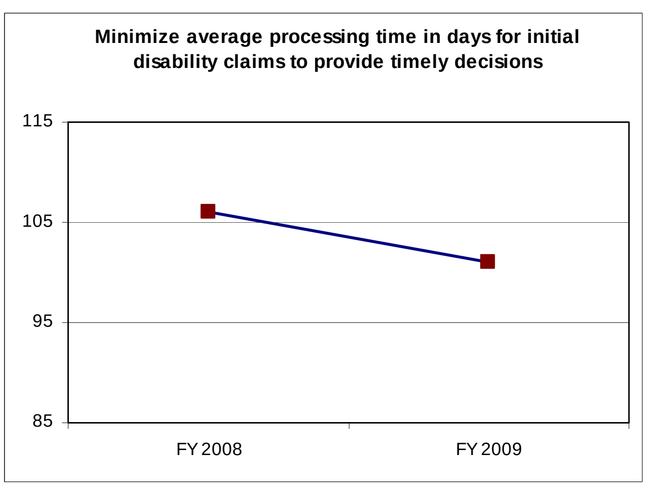
2.1c: Minimize average processing time in days for initial disability claims to provide timely decisions

FY 2009 Target:	129 days
Performance:	101 days
Target Achieved:	Yes

Discussion: The timely processing of initial disability claims is a critical aspect of our service delivery to the American public. We have been able to decrease processing time despite unprecedented workload challenges through effective use of resources, increased staffing levels and overtime, and employees' growing familiarity and expertise with electronic processes and tools. These efforts have allowed us to continue to provide prompt and efficient service to individuals, even as workloads rise. Additionally, the use of *Health Information Technology* and our *Quick Disability Determinations* and *Compassionate Allowance* processes contributed to our ability to meet and exceed this target.

Please refer to Goal *2: Improve the Speed and Quality of Our Disability Process* beginning on page 24 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	107 days	106 days	Yes	⬆

Data Definition: The average processing time is the overall, cumulative number of elapsed days, including both Disability Determination Services and field office processing times, from the date of filing through the date payment is made or the denial notice is issued for all initial claims that require a medical determination. The total number of days to process all initial disability claims requiring a medical determination is divided by the total number of initial disability claims requiring a medical determination that are processed during the fiscal year

Data Source: *Social Security Unified Measurement Systems*

Remarks:
This measure is also a *Program Performance Measure*.

Strategic Objective 2.2: Make it easier and faster to file for disability benefits online

2.2a: Achieve the target percentage of initial disability claims filed online

FY 2009 Target:	18%
Performance:	21%
Target Achieved:	Yes

Discussion: In FY 2009, almost 600,000 individuals filed for disability benefits online. This was more than a 100-percent increase over FY 2008 (260,902). In addition, FY 2009 was a banner year as it marked the year that we received our one-millionth online disability application. We were able to meet and exceed this target because of *Disability Direct,* an initiative that makes it easier and faster to apply for disability benefits by using *iClaim*, a tool that enables individuals to file electronically for benefits from the comfort and convenience of their homes or offices. We also launched an aggressive marketing campaign to increase public awareness of both the advantages and availability of this online service.

In addition, because attorneys, non-attorneys, representative payees and third parties increasingly transact business with us on behalf of individuals they represent, in FY 2009, we developed the *Appointed Representative Suite of Services,* a comprehensive package of online services for representatives. Once fully rolled out, we expect these new service features will increase the number of disability claims filed online.

Please refer to Goal *2: Improve the Speed and Quality of Our Disability Process* beginning on page 24 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The percentage of initial Social Security disability claims filed online. The percentage is derived by dividing the number of initial Social Security disability claims filed online by the total number of initial disability claims that could be filed online in the current fiscal year.

Data Source: *Executive and Management Information System, Electronic Service Delivery, Localized Management Information Report*

Strategic Objective 2.3: Regularly update our disability policies and procedures

2.3a: Update the medical *Listing of Impairments*

FY 2009 Target:	Develop and submit at least three regulatory actions or *Social Security Rulings*
Performance:	Published eight *Social Security Rulings* in the *Federal Register*
Target Achieved:	Yes

Discussion: The *Listings* (http://ssa.gov/disability/professionals/bluebook/listing-impairments.htm) describe for each major body system the impairments considered severe enough to prevent an individual from working, or for children, impairments that cause marked and severe functional limitations. In FY 2009, we published 8 *Social Security Rulings* concerning Childhood Disability rules in the *Federal Register.* These *Social Security Rulings* consolidate information from our regulations, training materials, and question-and-answer documents about determining disability under the functional equivalence rule. They also provide guidance on documenting and evaluating evidence of a child's impairment-related limitations.

Please refer to Goal *2: Improve the Speed and Quality of Our Disability Process* beginning on page 24 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: Regulatory actions include *Advance Notice of Proposed Rulemaking, Notice of Proposed Rule Making, Final Rules,* or *Ruling,* or other *Federal Register* notice. We will develop regulatory actions or *Social Security Rulings* related to updating the medical *Listings of Impairments* for publication in the *Federal Register.*

Data Source: *Office of Retirement and Disability Policy Workplan*

Strategic Goal 3: Improve Our Retiree and Other Core Services

Strategic Objective 3.1: Dramatically increase baby boomers' use of our online retirement services

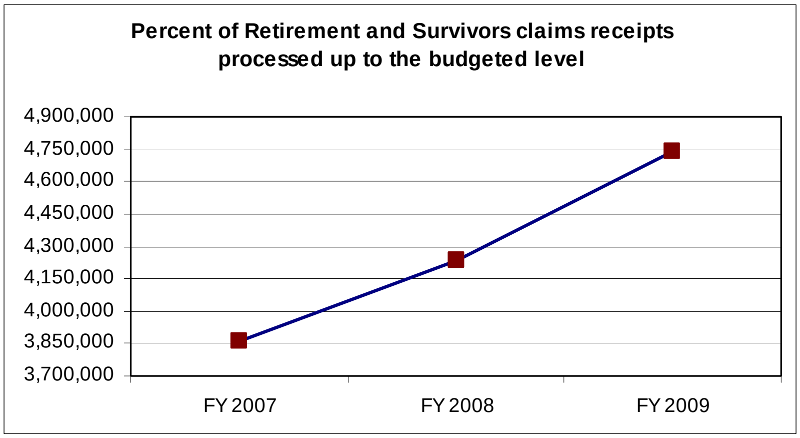
3.1a: Percent of Retirement and Survivors claims receipts processed up to the budgeted level

FY 2009 Target:	100% (4,543,000)*
Performance:	104% (4,742,218)
Target Achieved:	Yes

Discussion: The aging of the baby boomers, as well as the economic downturn, resulted in a significant increase in the number of retirement and survivor claims filed in FY 2009. We received 541,098 more claims receipts than in FY 2008. Through the effective use of hiring and overtime; the launch of our new online retirement application; a nationwide marketing campaign; a record number of applications filed online, and policy simplifications, we met and exceeded our target.

Please refer to *Goal 3: Improve Our Retiree and Other Core Services* beginning on page 28 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	100% (4,065,000)*	101% (4,236,455)	Yes	⬆
2007	100% (3,837,000)*	101% (3,863,813)	Yes	⬆

Data Definition: The number of retirement, survivors, and health insurance claims processed in the current fiscal year up to the budgeted number.

Data Source: *Social Security Unified Measurement System Operational Data Store*

Remarks:
This measure is also a *Program Performance Measure*.

*The number in parentheses represents the budgeted level.

3.1b: Achieve the target percentage of retirement claims filed online

FY 2009 Target:	26%
Performance:	32%
Target Achieved:	Yes

Discussion: In FY 2009, 833,433 individuals filed for retirement benefits online. This was more than a 100-percent increase over FY 2008 (407,443). We also received our two millionth online retirement claim in early June. This achievement is especially noteworthy since it took more than 7 years to receive the first million online retirement claims, but less than 2 years to receive the second million.

We were able to meet and exceed this target by rolling out our new and improved online application for retirement benefits, called *iClaim*. This new online application makes it easier and faster to apply for retirement benefits as it only asks essential questions pertinent to the applicant's situation and uses prompts, streaming videos, and other techniques to support the user's online experience. We also greatly improved the information available to help individuals decide their optimum retirement date using our *Retirement Estimator*, a quick and secure online financial planning tool. Additionally, to encourage individuals to apply online for retirement benefits, we launched our nationwide marketing campaign with actress Patty Duke as our celebrity spokesperson.

Please refer to *Goal 3: Improve Our Retiree and Other Core Services* beginning on page 28 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The percentage of retirement claims filed online. The percentage is derived by dividing the number of retirement claims filed online by the total number of retirement claims that could be filed online in the fiscal year.

Data Source: *Executive and Management Information System*

Strategic Objective 3.2: Provide individuals with accurate, clear, up-to-date information

FY 2009 Performance Measure: None

We do not have a FY 2009 performance measure under this strategic objective. However, we will continue to assess and improve our agency notices through our *Notice Improvement Initiative.* We discuss this initiative in more detail on page 28.

Strategic Objective 3.3: Improve our telephone service

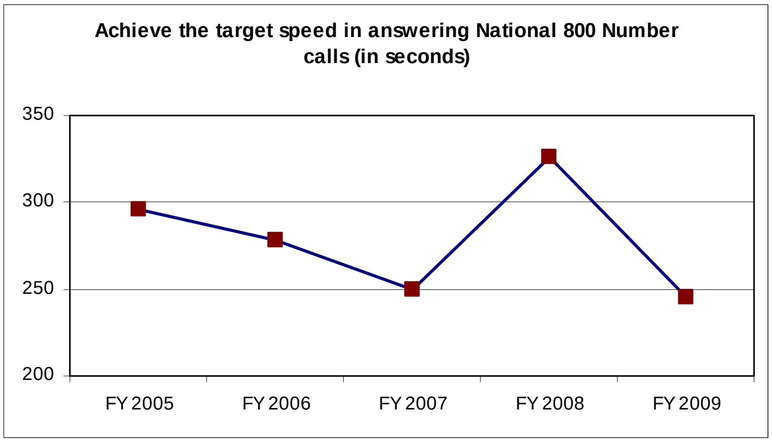
3.3a: Achieve the target speed in answering National 800 Number calls

FY 2009 Target:	330 seconds
Performance:	245 seconds
Target Achieved:	Yes

Discussion: Our National 800 Number call volume has increased annually, exceeding 82 million calls in FY 2009. We expect this number to grow in FY 2010. How quickly we answer these calls is affected by a variety of factors, including the number of available agents, the average handle-time per call, and the wait tolerance of callers to remain on hold. In FY 2009, we met and exceeded our target and improved our speed of answering by 25 percent over FY 2008. To increase our capacity to handle this call volume, we hired about 260 additional telephone agents and effectively used overtime. We also used technologies to more effectively forecast call volumes, anticipate staffing needs, and better distribute incoming calls across the network so callers could reach an agent as quickly as possible. To position ourselves for future 800 Number workloads, we started planning and analysis for click-to-communicate technologies which will allow telephone agents to assist users in real time as they conduct their business with us online. We also moved forward with a replacement of our National 800 Number telecommunications infrastructure and began working with the General Services Administration to build a new teleservice center in Jackson, TN, the first new teleservice center in more than a decade.

Please refer to *Goal 3: Improve Our Retiree and Other Core Services* beginning on page 28 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	330 seconds	326 seconds	Yes	⬆
2007	330 seconds	250 seconds	Yes	⬆
2006	330 seconds	278 seconds	Yes	⬆
2005	330 seconds	296 seconds	Yes	⬆

Data Definition: Speed of answer is calculated by dividing the wait time of all calls by the number of all calls answered in the fiscal year. Wait time begins from the time the caller is transferred to an agent (in queue) until an agent answers the call.

Data Source: Report generated by Cisco router software

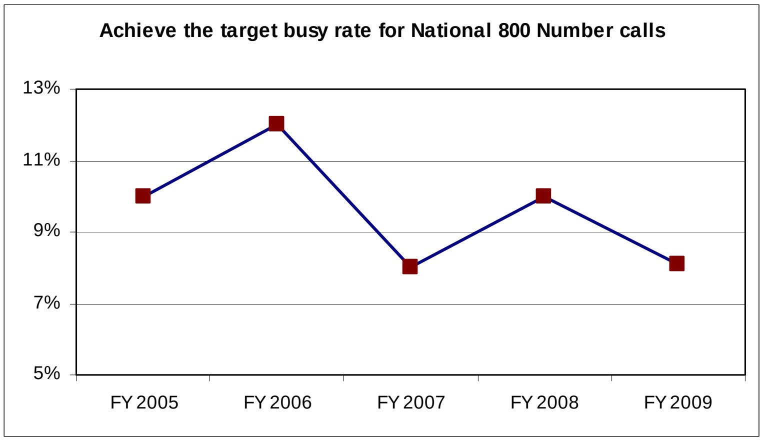
3.3b: Achieve the target busy rate for National 800 Number calls

FY 2009 Target: 10%
Performance: 8%
Target Achieved: Yes

Discussion: In FY 2009, we met and exceeded our target and improved our busy rate on the National 800 Number. To accomplish this, in addition to the initiatives described in 3.3a above, we also enhanced our use of speech recognition technology. This technology enables callers to speak their request into an interactive voice prompt system, thereby reducing the time callers spend navigating through menu prompts and touch-tone commands. Callers use this technology to process an array of actions, including change of address, benefit verification requests, and Medicare card replacements, without the assistance of an agent. We also continued to enhance the *Customer Help and Information Program* tool to provide agents with instant access to facts, policy, and reference materials, thereby minimizing the amount of time it takes to handle each call.

Please refer to *Goal 3: Improve Our Retiree and Other Core Services* beginning on page 28 for details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	10%	10%	Yes	⬆
2007	10%	8%	Yes	⬆
2006	10%	12%	No	⬇
2005	10%	10%	Yes	⬆

Data Definition: The busy rate is calculated as the number of busy messages divided by number of calls offered to agents in the fiscal year. The caller receives a busy message when an agent is not available to answer the call because the queue had reached its maximum capacity of waiting calls. When this happens, we instruct the individual to call back later.

Data Source: Report generated by Cisco router software

Strategic Objective 3.4: Improve service for individuals who visit our field offices

3.4a: Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"

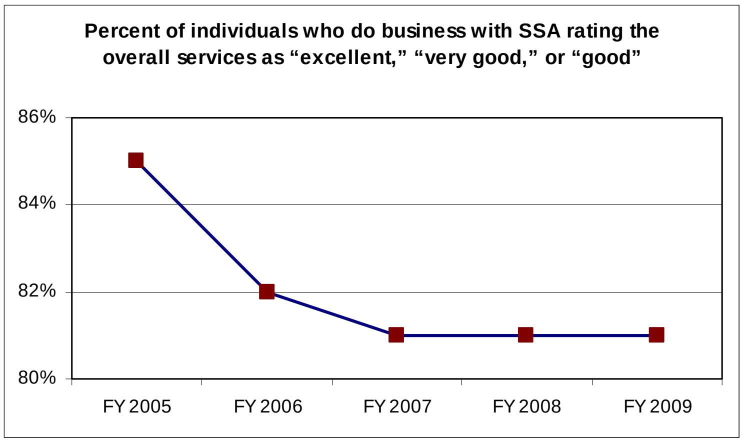
FY 2009 Target: 83%
Performance: 81%
Target Achieved: No

Discussion: We conduct surveys each year to evaluate various aspects of our service. This performance measure is based on the combined results of annual service satisfaction surveys of callers to our National 800 Number and field offices, as well as visitors to our field and hearing offices. We carefully monitor the public's perception of the quality of the service we provide. The results of these surveys allow us to identify the specific aspects of service where improvements would have the greatest impact on overall satisfaction. We have not met this target since 2005, and since then our workloads have grown in volume and complexity. To improve our service performance, in FY 2009, we hired additional staff to fill front-line positions; maximized use of overtime; improved our business processes; simplified policies; enhanced online services; and continued to improve our automated systems. Although we did not achieve our FY 2009 service target of 83 percent, we maintained our FY 2008 score despite significant growth in our service demands.

We have devoted significant resources to ensure that our web services rank among the best in government The *American Customer Service Index* (ACSI) e-Government Satisfaction Index is widely used in both the federal and private sectors to measure public satisfaction with features of websites. In the latest ACSI report, the agency received the top four scores in the rankings for *E-Commerce* and *Transactional Sites*, with our *iClaim* application receiving the top ranking. For more information on ACSI government satisfaction scores, see http://www.theacsi.org/index.php?option=com_content&task=view&id=12&Itemid=26.

Please refer to *Overall Service Satisfaction Surveys* under Program Evaluation on page 83 for a detailed description of our customer service satisfaction surveys.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	83%	81%	No	↓
2007	83%	81%	No	↓
2006	83%	82%	No	↓
2005	83%	85%	Yes	↑

Data Definition: The percent is derived by dividing number of respondents who rate overall service as "good," "very good," or "excellent" on a six-point scale ranging from "excellent" to "very poor" in the fiscal year by the total number of respondents.

Data Source: Service Satisfaction Surveys

Remark:
This measure is also a *Program Performance Measure*.

Strategic Objective 3.5: Process our Social Security Number workload more effectively and efficiently

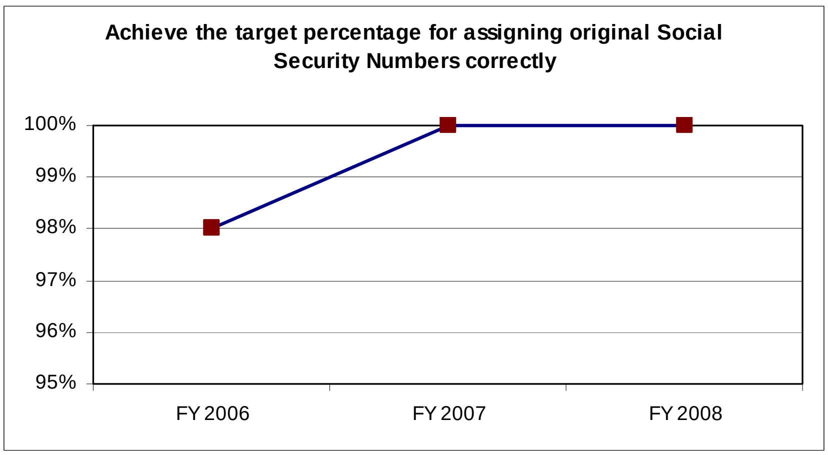
3.5a: Achieve the target percentage for assigning original Social Security Numbers correctly

FY 2009 Target:	95%
Performance:	Data available May 2010*
Target Achieved:	TBD

Discussion: Although data for this fiscal year will not be available until May 2010, we met and exceeded this target in FY 2008, and project comparable performance for FY 2009. We continue to strengthen current processes and implement new methods to safeguard the assignment of Social Security numbers and the issuance of cards. In FY 2009, we expanded the use of *Social Security Number Verification Services and E-Verify* to allow employers to verify in real time if reported names and Social Security numbers of employees match our records. We opened specialized Social Security Card Centers, expanded Enumeration at Entry to allow all individuals applying for an immigrant visa to elect to receive a Social Security number, and successfully implemented the *Social Security Number Application Process* (SSNAP), a new Internet application that will enhance the application process and accuracy of data collected.

Please refer to *Goal 3: Improve Our Retiree and Other Core Services* beginning on page 28 for more details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	95%	100%*	Yes	
2007	98%	100%	Yes	
2006	98%	98%	Yes	

Data Definition: The percentage is derived using a statistically valid sample of original Social Security numbers assigned in the fiscal year. The number of correctly issued Social Security numbers is divided by the total number sampled. We consider the Social Security number assigned correctly when: 1) the individual did not receive a Social Security number that belongs to someone else; 2) the individual does not receive more than one Social Security number; and 3) the individual is eligible to receive a Social Security number based on supporting documentation.

Data Source: *Enumeration Process Quality Review*

Remark:
*The performance data shown for FY 2008 was not available at the time we published the *Fiscal Year 2008 Performance and Accountability Report.* Therefore, we are reporting the results in the *Fiscal Year 2009 Performance and Accountability Report.* Actual data for FY 2009 will not be available until May 2010, and we will report it in the *Fiscal Year 2010 Performance and Accountability Report.*

Strategic Goal 4: Preserve the Public's Trust in Our Programs

Strategic Objective 4.1: Curb improper payments

4.1a: Process the budgeted number of Supplemental Security Income non-disability redeterminations

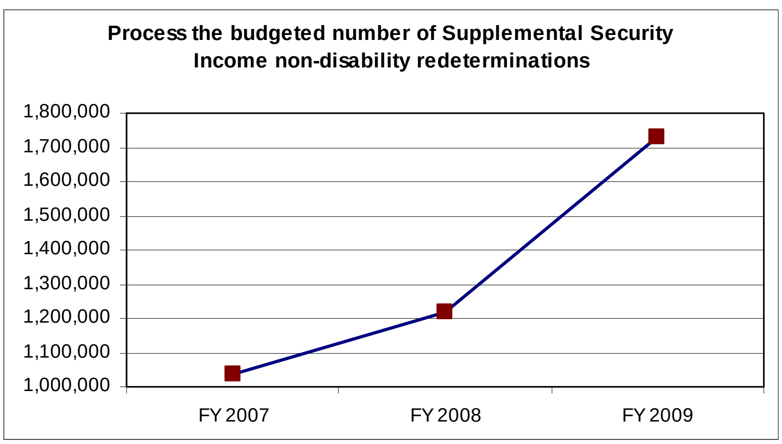
FY 2009 Target:	1,711,000
Performance:	1,730,575
Target Achieved:	Yes

Discussion: To ensure that we are making accurate SSI payments only to eligible individuals, we conduct periodic redeterminations that review individuals' non-medical eligibility factors, such as income and resources. We currently estimate that redeterminations processed above the base level have a return on investment over 10 years of $7 in program savings for each $1 of additional funding spent, including savings accruing to Medicaid. In years past, we had to reduce some of our stewardship activities to devote resources to critical workloads. However, with increased funding in FY 2009, we were able to increase the number of redeterminations processed by 639,272 over our FY 2008 level.

In FY 2009, we expanded our *Access to Financial Institutions* project that enables us to electronically verify account balances with financial institutions. We expect the project to significantly reduce incorrect SSI payments caused by excess resources. Additionally, we made it easier for individuals and their representatives to report monthly wages through an automated telephone system. We also encouraged them to report their wages via this system and provided training on how to use it. All of these efforts contributed to our ability to meet and exceed this target.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	1,200,000	1,220,664	Yes	⬆
2007	1,026,000	1,038,948	Yes	⬆

Data Definition: The number of non-disability SSI redeterminations processed in the fiscal year up to the target. This number includes scheduled and unscheduled reviews, as well as targeted redeterminations.

Data Source: *Redetermination Service Delivery Objective Report*, *Limited Issue Service Delivery Objective Report*, and the *Post-Eligibility Operations Data Store*

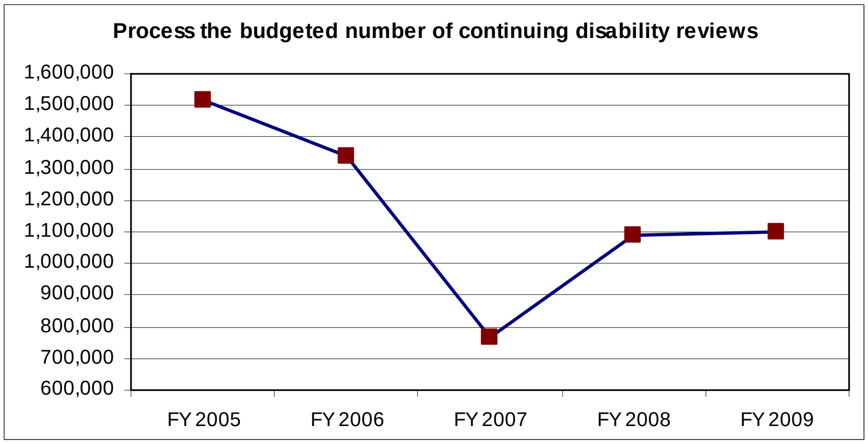
4.1b: Process the budgeted number of continuing disability reviews

FY 2009 Target:	1,079,000*
Performance:	1,101,983*
Target Achieved:	Yes

Discussion: To ensure we pay disability benefits only to those who continue to meet our medical requirements, we periodically conduct continuing disability reviews. These reviews protect the integrity of the disability programs we administer. Continuing disability reviews are cost-effective, saving $10 for every $1 invested. To make this process even more efficient, we continued to refine the scoring models used to identify cases for which a full medical review would not be cost effective. For the remaining cases, we conduct our reviews using a mailer process. We also expanded use of an electronic continuing disability review process which will increase productivity and eliminate a labor-intensive paper process. Because of these initiatives and increased funding in FY 2009, we met and exceeded our target.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for details on how we addressed this performance measure.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	1,065,000	1,091,303	Yes	⬆
2007	729,000	764,852	Yes	⬆
2006	1,242,000	1,337,638	Yes	⬆
2005	1,384,000	1,515,477	Yes	⬆

Data Definition: The number of continuing disability reviews processed in the fiscal year up to the target. This number includes medical reviews processed by the Disability Determination Services and other agency components, reviews conducted by questionnaires (mailers) that do not require a medical review, and cases where we initiated a review but one was not conducted because the individual failed to cooperate.

Data Source: *Continuing Disability Review Tracking Files* and the *Disability Operational Data Store*

Remark:
*The FY 2009 target of 1,079,000 includes 329,000 medical continuing disability reviews and 750,000 continuing disability review mailers not requiring medical review. The FY 2009 performance includes 316,960 medical continuing disability reviews and 785,023 continuing disability review mailers not requiring medical review.

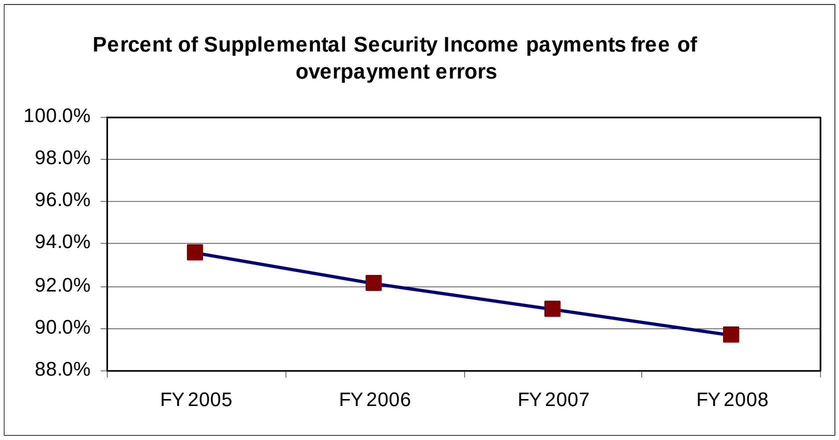
4.1c: Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) errors

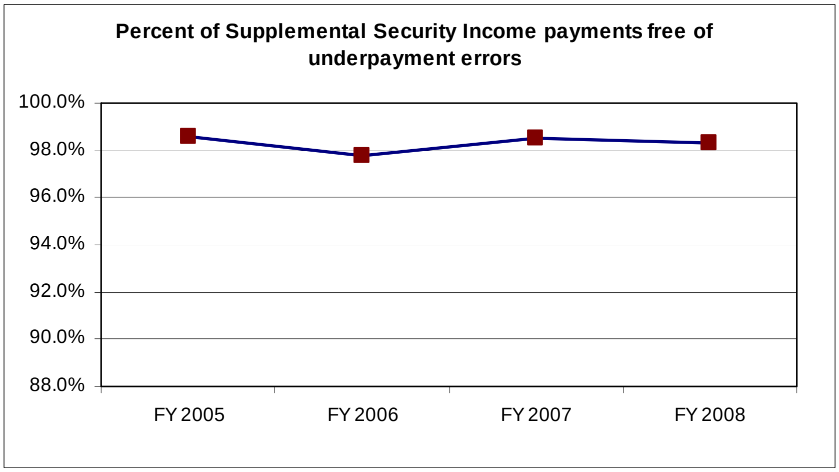
FY 2009 Target:	O/P accuracy:	96.0%
	U/P accuracy:	98.8%
Performance:	O/P accuracy:	Data available June 2010*
	U/P accuracy:	Data available June 2010*
Target Achieved:	O/P accuracy:	TBD
	U/P accuracy:	TBD

<u>*Discussion:*</u> We base initial SSI payments on projections, such as future wages, that we must later verify. Even though we exceeded our FY 2009 redetermination target and completed more redeterminations than in FY 2008, the number of reviews may be insufficient to improve the SSI accuracy rate. Without increasing the number of reviews further, it will be very difficult to meet our future SSI accuracy targets. Although data for this fiscal year won't be available until June 2010, we did not meet the targets in FY 2008 and anticipate comparable performance for FY 2009 when data become available. To modify this trend, we will complete additional redeterminations in FY 2010, expand use of the *Access to Financial Institutions* project (described in 4.1a above), continue ongoing quality reviews, and streamline and simplify policies and procedures.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for details on how we addressed this performance measure.

<u>*Trend:*</u>





Fiscal Year	Target	Performance	Target	Achieved?
2008	O/P accuracy: 96.0%	O/P accuracy: 89.7%*	No	⬇
2008	U/P accuracy: 98.8%	U/P accuracy: 98.3%*	No	⬇
2007	O/P accuracy: 95.7%	O/P accuracy: 90.9%	No	⬇
2007	U/P accuracy: 98.8%	U/P accuracy: 98.5%	No	⬇
2006	O/P accuracy: 95.4%	O/P accuracy: 92.1%	No	⬇
2006	U/P accuracy: 98.8%	U/P accuracy: 97.8%	No	⬇
2005	O/P accuracy: 94.9%	O/P accuracy: 93.6%	No	⬇
2005	U/P accuracy: 98.8%	U/P accuracy: 98.6%	No	⬇

Data Definition: The SSI payment accuracy rate free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. The payment accuracy is based on a non-medical review of sampled individuals receiving SSI payments during the fiscal year. The overpayment accuracy rate is determined by dividing the total overpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent. The underpayment accuracy rate is determined by dividing the total underpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent.

The confidence level for each fiscal year is determined when the review is completed. In FY 2008, SSI precision at the 95-percent confidence level ranged from 88.2 percent to 91.2 percent for O/Ps and from 97.8 percent to 98.8 percent for U/Ps.

Data Source: *Supplemental Security Income Stewardship Report*

Remark:
This measure is also a *Program Performance Measure*.

*The performance data shown for FY 2008 was not available at the time we published the *Fiscal Year 2008 Performance and Accountability Report.* Therefore we are reporting the results in the *Fiscal Year 2009 Performance and Accountability Report.* Actual data for FY 2009 will not be available until June 2010, and we will report it in the *Fiscal Year 2010 Performance and Accountability Report.*

4.1d: Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error

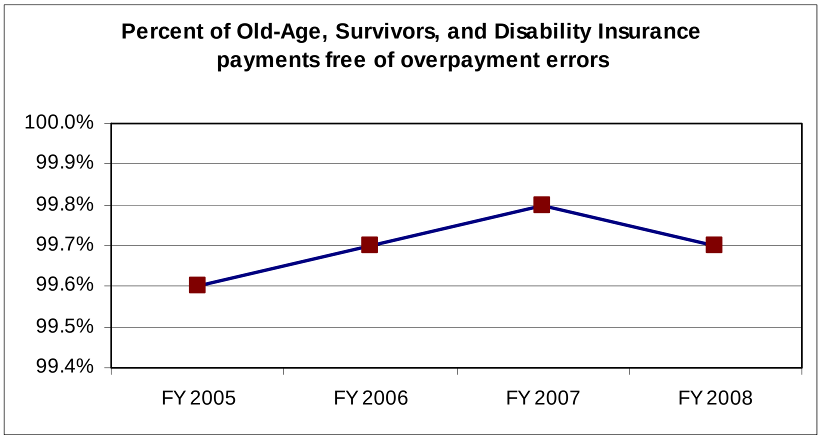
FY 2009 Target:	O/P accuracy:	99.8%
	U/P accuracy:	99.8%
Performance:	O/P accuracy:	Data available June 2010*
	U/P accuracy:	Data available June 2010*
Target Achieved:	O/P accuracy:	TBD
	U/P accuracy:	TBD

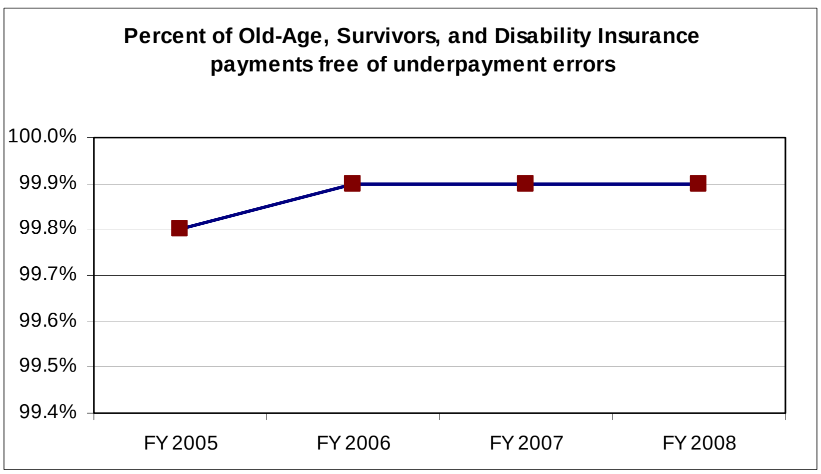
Discussion: Although the data for this fiscal year will not be available until June 2010, in FY 2008, we met the underpayment accuracy rate target of 99.8 percent. However, we did not achieve the overpayment accuracy rate target of 99.8 percent by a tenth of a percentage point (99.7 percent).

Individuals are generally overpaid due to death or work activity not being reported timely, computation errors, and unreported relationship changes (e.g., marriages, student status). They are likely to be underpaid because of earnings computation errors, incorrect date of birth information, and delays in reporting workers' compensation payment changes. In FY 2009, we continued to use automated system capabilities to further prevent, identify, and correct computation errors. We also continued to work with states to implement *Electronic Death Registration*. Death registration is traditionally done manually by the states. The electronic process is faster, which means death information is posted to our records more quickly, reducing the chances the individual will be paid improperly. Through our ongoing quality reviews and efforts to streamline and simplify policies and procedures, we will continue identifying new strategies to ensure that we maintain high levels of payment accuracy for OASDI payments.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for more details on how we addressed this performance measure.

Trend





Fiscal Year	Target	Performance	Target	Achieved?
2008	O/P accuracy: 99.8%	O/P accuracy: 99.7%*	No	
2008	U/P accuracy: 99.8%	U/P accuracy: 99.9%*	Yes	
2007	O/P accuracy: 99.8%	O/P accuracy: 99.8%	Yes	
2007	U/P accuracy: 99.8%	U/P accuracy: 99.9%	Yes	
2006	O/P accuracy: 99.8%	O/P accuracy: 99.7%	No	
2006	U/P accuracy: 99.8%	U/P accuracy: 99.9%	Yes	
2005	O/P accuracy: 99.8%	O/P accuracy: 99.6%	No	
2005	U/P accuracy: 99.8%	U/P accuracy: 99.8%	Yes	

Data Definition: The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rate free of overpayment and underpayment error is determined by an annual review of a statistically valid sample of the beneficiary rolls. The payment accuracy is based on a non-medical review of sampled individuals receiving OASDI payments during the fiscal year. The overpayment accuracy rate is determined by dividing the total overpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent. The underpayment accuracy rate is determined by dividing the total underpayment error dollars by the total dollars paid for the fiscal year and subtracting this percentage from 100 percent.

The confidence level for each fiscal year is determined when the review is completed. In FY 2008, the Old-Age, Survivors Insurance (OASI), and Disability (DI) precision at the 95-percent confidence level ranges from 99.53 percent to 99.83 percent for O/Ps and 99.88 percent to 99.95 percent for U/Ps.

Data Source: *Old Age, Survivors, and Disability Insurance Stewardship Report*

Remarks:
This measure is also a *Program Performance Measure*.

*The performance data shown for FY 2008 was not available at the time we published the *Fiscal Year 2008 Performance and Accountability Report.* Therefore we are reporting the results in the *Fiscal Year 2009 Performance and Accountability Report.* Actual data for FY 2009 will not be available until June 2010, and we will report it in the *Fiscal Year 2010 Performance and Accountability Report.*

Strategic Objective 4.2: Ensure privacy and security of personal information

FY 2009 Performance Measure: None

We do not have an FY 2009 performance measure under this strategic objective. However, we will continue to engage in a variety of practices to ensure privacy and security of personal information. We discuss this objective in more detail on page 33.

Strategic Objective 4.3: Maintain accurate earnings records

4.3a: Achieve the target percentage of paper Forms *W-2* received

FY 2009 Target:	17%
Performance:	16%
Target Achieved:	Yes

Discussion: Annually, we receive over 43 million paper wage reports from approximately 4.4 million employers. Since paper wage reports are more error-prone, labor intensive, and expensive to process, we continued to encourage employers to use our *Business Services Online* capabilities to file Forms W-2 for their employees electronically. We also informed employers about electronic wage reporting through online information and resources, promotional materials, payroll conferences, articles in trade publications, and direct contact. These efforts enabled us to meet and exceed our FY 2009 target.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The percentage of paper *Forms W-2* received. The percentage is derived by dividing the number of paper *Forms W-2* received by the total number of *Forms W-2* received.

Data Source: *Earnings Modernization Operational Data Store Management Information Reports*

Strategic Objective 4.4: Simplify and streamline how we do our work

FY 2009 Performance Measure: None

We do not have an FY 2009 performance measure under this strategic objective. However, we continue to simplify and streamline our policies and procedures and move more of our business processes to an electronic environment. We discuss this objective in more detail on page 34.

Strategic Objective 4.5: Protect our programs from waste, fraud, and abuse

4.5a: Receive an unqualified audit opinion on SSA's financial statements

FY 2009 Target:	Receive an unqualified opinion
Performance:	Received an unqualified opinion
Target Achieved:	Yes

Discussion: For the 16th successive year, we received an unqualified opinion on our financial statements. In accordance with the *Chief Financial Officers Act*, the Office of the Inspector General (OIG) independently audited our financial statements with limited assistance from an independent external auditor. In its audit, the OIG found that our financial statements, as contained in this *Fiscal Year 2009 Performance and Accountability Report*, are presented fairly in all material respects, in conformity with accounting principles generally accepted in the U.S. We take our stewardship responsibility of our programs very seriously and will continue to demonstrate an unyielding dedication to sound financial management practices.

Please refer to the *Auditor's Reports* section, beginning on page 145, for more information on our financial statements audit.

Trend: We have received an unqualified audit opinion every year from FY 1994 to FY 2009.

Data Definition: The receipt of an unqualified audit opinion from an independent auditor. An independent auditor gives an unqualified opinion when agency financial statements are determined to be fair, accurate, and conform to generally accepted accounting principles.

Data Source: The independent auditor report

Strategic Objective 4.6: Use "green" solutions to improve our environment

4.6a: Replace gasoline-powered vehicles with alternative-fuel vehicles

FY 2009 Target:	20 vehicles
Performance:	26
Target Achieved:	Yes

Discussion: In accordance with *Executive Order 13423*, in FY 2009, we made environmentally conscious decisions across the agency under this green solutions strategic objective. We met and exceeded this target and anticipate continued success in FY 2010. Nationwide, we have converted over 60 percent of our light-duty vehicles to alternative fuel vehicles, and at Headquarters, we have converted 80 percent.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: The number of gasoline-powered vehicles in our inventory replaced with alternative-fuel vehicles in the fiscal year.

Data Source: *Agency Fleet Vehicle Inventory*

4.6b: Develop and implement an agency Environmental Management System

FY 2009 Target:	Develop a high-level project plan
Performance:	Completed
Target Achieved:	Yes

Discussion: We developed a high-level project plan in FY 2009 to begin efforts to establish our Environmental Management System. It will ensure that we continue to make environmentally conscious decisions when purchasing equipment, disposing of old equipment, renovating or constructing new buildings, and implementing a variety of other "green" improvements. We will continue to develop our *Environmental Management System* with a target to have it in place by FY 2012.

Please refer to *Strategic Goal 4: Preserve the Public's Trust in Our Programs* beginning on page 31 for more details on how we addressed this performance measure.

Trend: This is a new performance measure for FY 2009.

Data Definition: A high-level project plan is developed and implemented. Developing the plan includes establishing timeframes, establishing and assigning specific responsibilities, and training suitable staff to implement an organizational *Environmental Management System* by 2012.

Data Source: *Office of Management and Budget Environmental Scorecard Workgroup*

Update to a Fiscal Year 2008 Performance Measure

In FY 2009, the following FY 2008 performance measure was eliminated as a Government Performance and Results Act measure in FY 2009. The final FY 2008 data for this performance measure was not available in time for publication in last year's *Performance and Accountability Report.* Therefore, we have included final FY 2008 results in below.

Number of quarters of work earned by Disability Insurance and Supplemental Security Income disabled beneficiaries during the calendar year*

FY 2008 Goal:	Establish a new baseline from which to measure future performance
Performance:	No baseline data available- performance measure eliminated
Target Achieved:	No

Discussion: This FY 2008 performance measure was eliminated as a *Government Performance and Results Act* measure early in calendar year 2009 prior to the availability of the baseline data in July 2009. We decided the best way to measure progress resulting from changes to the *Ticket to Work* program in 2008 was by continuing to use the same performance measure used prior to the changes, which is the *Number of Disability Insurance and Supplemental Security Insurance beneficiaries, with ticket in use, who work.* Because we did not proceed with plans to establish this new measure for 2008, there is no baseline data available for publication in the *Fiscal Year 2009 Performance and Accountability Report.*

Trend: This was a new measure for 2008.

Data Definition: Measures overall effectiveness of all work incentive programs and reflects results of Return-to-Work education and outreach activities and improvements to the Ticket and other work incentive programs. It also reflects work by beneficiaries with disabilities at increasingly significant levels over a significant period of time. A "quarter" is earned for each $1,050 earned in a year, up to a limit of four quarters in any calendar year. The value of a "quarter" will be tied to the threshold for any worker to earn a Social Security quarter of coverage in a given calendar year and will index year-to-year with the quarter of coverage.

Data Source: *Master Earnings File*

Remark:
*In last year's report, this performance measure was referenced as 1.2b.

PROGRAM PERFORMANCE MEASURES

As we stated in the Program Performance Measure discussion on page 36, Program Performance Measures are a diagnostic tool that the Office of Management and Budget designed to examine different aspects of program performance and to identify the strengths and weaknesses of a given federal program. We continue to work with the Office of Management and Budget to ensure that we develop, implement, and update plans to improve program performance.

To assess our progress, at the request of the Office of Management and Budget, we identified 18 program performance measures of which 8 are also *Government Performance and Results Act* measures described in the previous section, *Status of FY 2009 Performance Measures by Goal and Objective*. We described our FY 2009 results for the remaining 10 performance measures below.

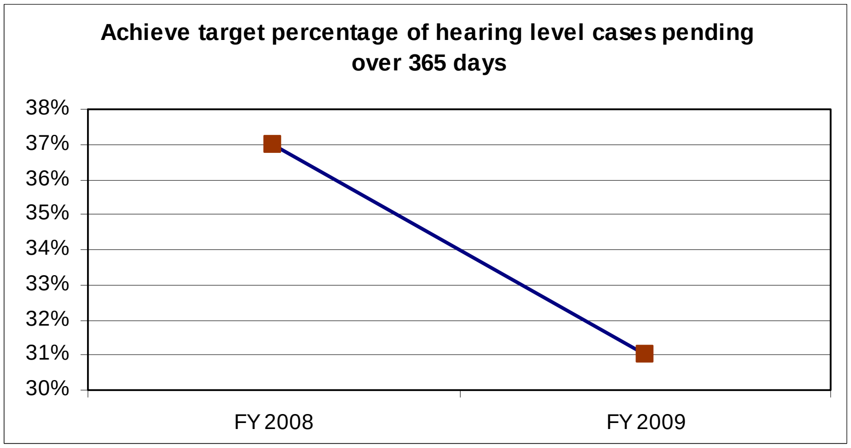
Achieve target percentage of hearing level cases pending over 365 days

FY 2009 Target	50%
Performance:	31%
Target Achieved:	Yes

Discussion: Eliminating the hearing backlog and preventing its recurrence is our highest priority. As part of this effort, in FY 2009, in addition to processing our aged hearing cases (pending 850 days or more as discussed on page 49 under performance measure 1.2b) we also reduced cases pending over 365 days. This fiscal year we met and exceeded our target for this measure.

To do this, we hired additional ALJs and support staff; increased use of video hearings; implemented numerous enhancements to the hearing office business process; opened National Hearing Centers to assist heavily backlogged offices; improved hearing office automation; used front-end screening procedures to identify possible on-the-record allowances; and continued ongoing emphasis and monitoring of our aged case workload.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	56%	37%	Yes	⬆

Data Definition: Measured from the date of request for hearing, this represents the number of cases that have been pending for more than 365 days as a percentage of the total number of cases pending at the hearing level. Included in the pending caseload would be remands as well as postentitlement actions. Remands are measured from the remand order date. A remand is an order by either the Appeals Council or a federal Court returning a claim to a previous level decision-maker for further action. Cases may be remanded for various reasons including: new evidence submitted with an appeal; a change in regulations; an error of law by the previous decision-maker; or an abuse of discretion.

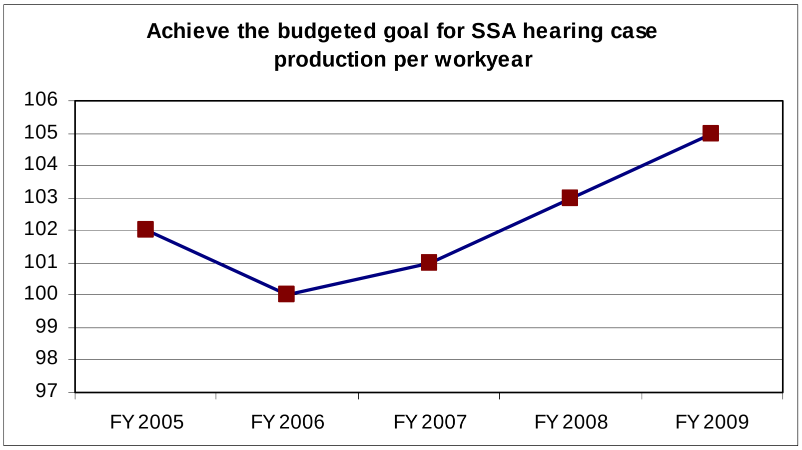
Data Source: *Case Processing and Management System* and *Disability Adjudication Reporting Tools.*

Achieve the budgeted goal for SSA hearing case production per workyear

FY 2009 Target: 107
Performance: 105*
Target Achieved: No

Discussion: We continued to implement enhancements to the hearings process to support an increase in the average number of hearings produced per workyear. Although we did not meet our FY 2009 target, production per workyear was up over FY 2008. We increased the efficiency of our hearings process through use of electronic disability folders, informal remands, case screening, centralized mailing and printing of notices, video hearings and electronic medical evidence.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	101	103	Yes	↑
2007	106	101	No	↓
2006	104	100	No	↓
2005	103	102*	No	↓

Data Definition: This indicator represents the average number of SSA hearings case production per workyear expended. A direct workyear represents actual time spent processing cases. It does not include time spent on training, ALJ travel, leave, holidays, etc.

Data Source: *Office of Disability Adjudication and Review, Monthly Activity Report*, the *Case Processing and Management System*, *Payroll Analysis Recap Report*, *Travel Formula* (based on the assumption that ALJs spend an average of 10 percent of their time in travel status), and *Training Reports* (Regional reports on new staff training, ongoing training, and special training).

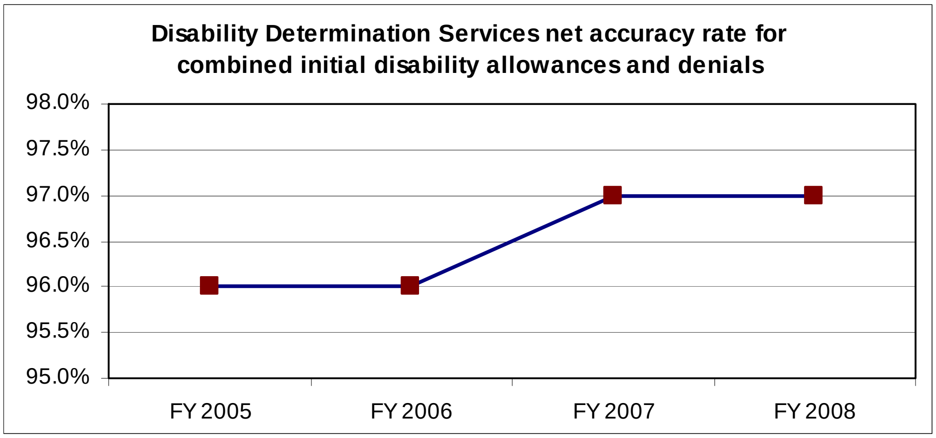
Remarks:
*FY 2005 included Medicare hearings.

Disability Determination Services net accuracy rate for combined initial disability allowances and denials

FY 2009 Target:	97%
Performance:	Data available January 2010*
Target Achieved:	TBD

Discussion: Although the data for this fiscal year will not be available until January 2010, in FY 2008, we achieved the Disability Determination Services net accuracy rate of 97 percent and we are on track for comparable performance for FY 2009. Innovative and electronic enhancements have supported our ability to provide accurate and timely disability determinations. In FY 2009, we continued a new process we started in FY 2008, called *Request for Program Consultation*, which resolves programmatic disagreements and identifies issues where training is needed or where policies may not be clear. Additionally, we expanded the *Targeted Denial Review*, an ongoing review that calls for increased sampling of denied disability determinations. We also continued testing a new web-based tool, *eCAT*, that aides disability examiners in documenting, analyzing, and adjudicating disability claims in accordance with our regulations and policies.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	97%	97%*	Yes	
2007	97%	97%	Yes	
2006	97%	96%	No	
2005	97%	96%	No	

Data Definition: Net accuracy is the percentage of correct initial State disability determinations and is based on the net error rate (i.e., the number of corrected deficient cases with changed disability decisions), plus the number of deficient cases not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed.

Note: Deficient cases corrected after the 90-day period are still counted as a deficiency.

Data Source: Disability Quality Assurance Databases

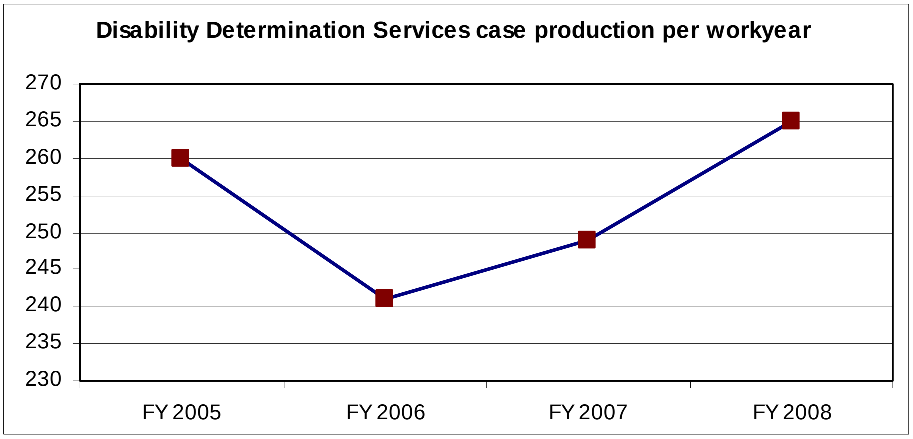
Remarks:
*The performance data shown for FY 2008 was not available at the time we published the *Fiscal Year 2008 Performance and Accountability Report.* Therefore we are reporting the results in the *Fiscal Year 2009 Performance and Accountability Report.* Actual data for FY 2009 will not be available until January 2010, and we will report it in the *Fiscal Year 2010 Performance and Accountability Report.*

Disability Determination Service case production per workyear

FY 2009 Target:	265
Performance:	274
Target Achieved:	Yes

Discussion: The Disability Determination Services improved their production per workyear by 3 percent over FY 2008. This increase is remarkable given the challenges the Disability Determination Services faced. Several states imposed hiring freezes and furloughs throughout the year and for those states that could hire disability examiners, extensive resources were used to mentor and train new employees during their extensive learning curve period. Despite challenges, through the effective use of increased hiring and overtime, technology to fast-track certain case types, an efficient business process, and increased availability of electronic medical evidence, we met and exceeded our target for FY 2009.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	264	266	Yes	↑
2007	252	249	No	↓
2006	262	241	No	↓
2005	278	260	No	↓

Data Definition: This indicator represents the average number of Disability Determination Services case production per workyear expended for all work. A workyear represents both direct and indirect time, including overhead (time spent on training, travel, leave, holidays, etc.). It is inclusive of everyone on the Disability Determination Services payroll, including doctors under contract to the Disability Determination Services.

Data Source: *National Disability Determination Services System* and *Disability Operational Data Store*

Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets in use, who work

FY 2009 Target:	97,000
Performance:	Data available July 2010*
Target Achieved:	TBD

Discussion: Through the *Ticket to Work* program, we provide individuals receiving disability benefits a voucher or ticket they can take to an Employment Network or state vocational rehabilitation agency that provides support services to help them obtain and keep a job. As a new performance measure in FY 2008, our objective was to establish a baseline that we could use to set subsequent fiscal year targets. In July 2009, we determined that 96,993 individuals, with a *Ticket* in use, worked in 2008. With this data, we established a conservative target of 97,000 due to the economic downturn for FY 2009. The data for this target will be available in July 2010.

Data Definition: Count the number of DI, SSI, and concurrent beneficiaries who have used their *Ticket* to sign up with an Employment Network (EN) or state vocational rehabilitation agency and who have recorded earnings in the *Disability Control File* in any month of the calendar year. The data are provided on a calendar year basis and reported in June of the following year. Performance measure language has been changed from "assigned" to "in use" to be consistent with this data definition. Beginning with 2008, under new regulations, *Tickets* are counted as "in use" when they are being used with an EN or state vocational rehabilitation agency, whereas under the pre-FY 2008 system they were counted when assigned.

Data Source: The "*Verify Update Earnings Screen's Work and Earnings Reports*" data field in the *Disability Control File*

Trend:

Fiscal Year	**Target**	**Performance**	**Target Achieved?**
2008	Establish a new baseline from which to measure future performance	96,993*	Yes, baseline established

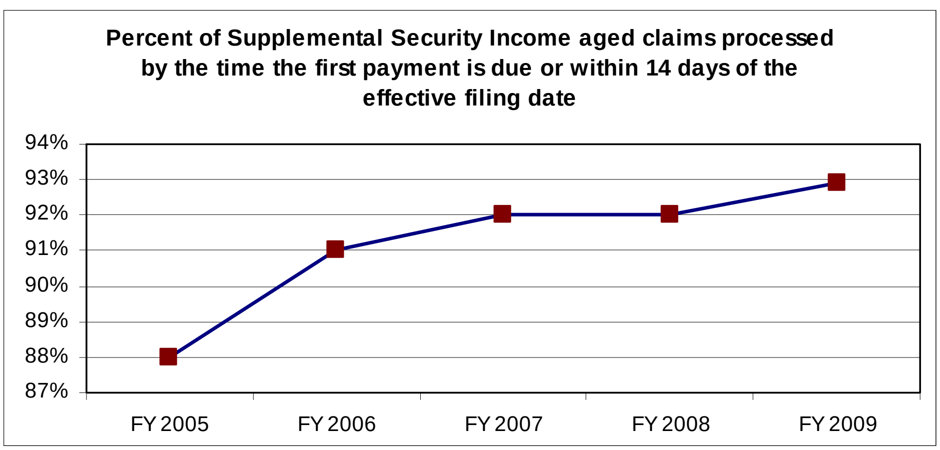
Remark:
*The data are provided on a calendar year basis and are available in July of the following year. Therefore, we are reporting FY 2008 performance data in the *Fiscal Year 2009 Performance and Accountability Report.* We will report actual data for FY 2009 in the *Fiscal Year 2010 Performance and Accountability Report.*

Percent of Supplemental Security Income aged claims processed by the time the first payment is due or within 14 days of the effective filing date

FY 2009 Target:	80%
Performance:	93%
Target Achieved:	Yes

Discussion: We met and exceeded our target to pay aged individuals (qualified individuals age 65 and older) within 14 days of their effective filing date for SSI payments. We continue to provide sufficient resources to ensure that we process applications as quickly as possible. Our performance reflects a national commitment to make timely and accurate payments to SSI aged recipients.

Trend:



Fiscal Year	**Target**	**Performance**	**Target**	**Achieved?**
2008	80%	92%	Yes	⬆
2007	75%	92%	Yes	⬆
2006	75%	91%	Yes	⬆
2005	75%	88%	Yes	⬆

Data Definition: This rate reflects the number of SSI aged applications completed through the SSA operational system (i.e., award or denial notices are triggered) before the first regular continuing payment is due or not more than 14 days from the effective filing date, if later, divided by the total number of SSI Aged applications processed. The first regular continuing payment due date is based on the first day of the month that all eligibility factors are met and payment is due.

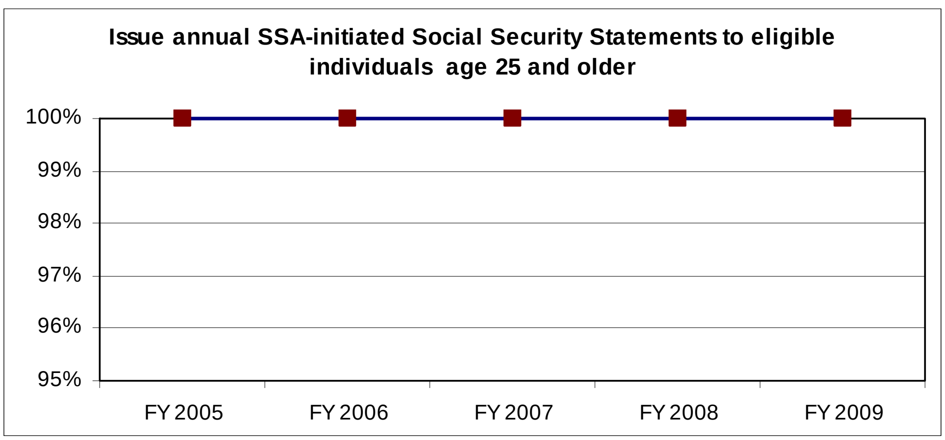
Data Source: *Title XVI Operational Data Store*

Issue annual SSA-initiated Social Security Statements to eligible individuals age 25 and older

FY 2009 Target: 100%
Performance: 100%
Target Achieved: Yes

Discussion: The *Social Security Statement* is a concise, easy-to-read personal record of individuals' earnings and an estimate of the benefits individuals and their families may receive as a result of those earnings. In FY 2009, we issued more than 150.6 million *Statements* to individuals age 25 and older. We also developed and included informational inserts for individuals from two age groups. The insert for individuals age 55 and older highlights retirement age choices, the online *Retirement Estimator,* and the ease of filing online. The insert for individuals aged 25-30 provides information about retirement planning and the benefits of savings. We also continued to conduct formal surveys to solicit the public's comments on the *Statement's* design and content which we used to make necessary revisions and enhancements.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	100%	100%	Yes	↑
2007	100%	100%	Yes	↑
2006	100%	100%	Yes	↑
2005	100%	100%	Yes	↑

Data Definition: As required by law, SSA issues annual *Social Security Statements* to all eligible individuals (Social Security number holders age 25 and older who are not yet in benefit status and for whom a mailing address can be determined). The *Statement* contains information about Social Security benefit programs, financing facts, and provides personal benefit estimates. The *Statement* provides individuals the opportunity to review their earnings history and verify their earnings record for accuracy and completeness.

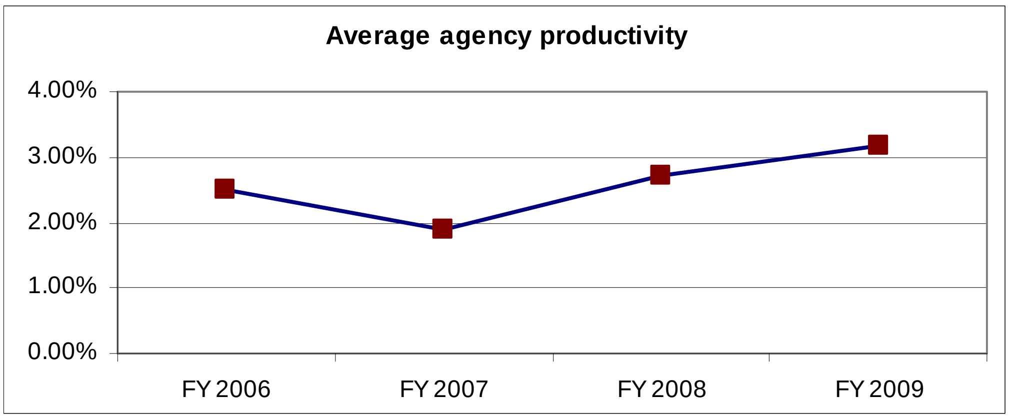
Data Source: *Executive and Management Information System.*

Average agency productivity

FY 2009 Target: 2%
Performance: 3.17%
Target Achieved: Yes

Discussion: We met and exceeded our target for FY 2009, and we are proud of the increases in productivity that we have achieved year after year. On average, we have increased productivity by 3.17 percent over the last 5 years. It is especially challenging to meet the target due to the increase in volume and complexity of our workloads. We have been able to increase productivity because of our dedicated staff, technological advances, systems' improvements, our transition to electronic disability folders, and our efforts to streamline and simplify our business processes, policies, and procedures.

Trend:



Fiscal Year	Target	Performance	Target	Achieved?
2008	2%	2.72%	Yes	⬆
2007	2%	1.89%	No	⬇
2006	2%	2.49%	Yes	⬆

Data Definition: The percent change in productivity is measured by comparing the total number of our and Disability Determination Services (DDS) workyears that would have been expended to process current year SSA level workloads at the prior year's rates of production to the actual SSA and DDS workyear totals expended. The average annual productivity is calculated using a five-year rolling average.

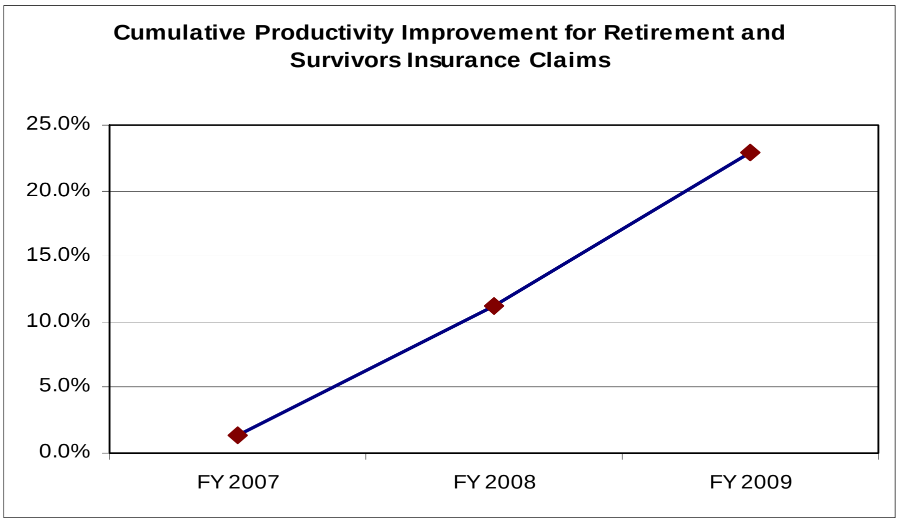
Data Source: *Agency Cost Accounting System*

Cumulative productivity improvement for Retirement and Survivors Insurance claims (compared to FY 2005)

FY 2009 Cumulative Target: 14.0%
Performance: 22.9%
Target Achieved: Yes

Discussion: We established this performance measure in 2007, and set a target of a 16-percent cumulative productivity improvement for Retirement and Survivors Insurance (RSI) claims by FY 2013. In FY 2009, we met and exceeded our 2013 target, by achieving 701 claims processed per workyear, a 22.9-percent increase over base year FY 2005. We attribute our success to our achievements in enhancing automation, streamlining policies, processes and procedures, and increasing benefit applications completed online.

Trend:



Fiscal Year	Target	Cumulative Target	Performance	PPWY	Target	Achieved?
2009	7%	14%	22.9%	701	Yes	⬆
2008	5%	7%	11.2%	635	Yes	⬆
2007	2%	2%	1.5%	579	No	⬇
2005	Base Year	----	----	571	----	--

Data Definition: RSI claims are calculated at the agency level and the percent increase will be calculated using FY 2005 (571 claims processed per workyear) as the base. A 16-percent increase from this base means that the target in FY 2013 is for us to process 662 claims per workyear. The RSI claims productivity per workyear number includes all retirement benefit claims, survivors benefit claims, and initial claims for Medicare.

Data Source: _The SSA Workload Trend Report_

Through changes in the law, achieve and maintain sustainable solvency such that today's and tomorrow's workers can expect to receive the benefits scheduled in law as reformed rather than as determined by Trust Fund solvency, while continuing to protect those who depend on Social Security the most.

FY 2009 Target:	Conduct Analysis
Performance:	Completed
Target Achieved:	Yes

Discussion: To assist the Administration and Congress in making informed decisions on major policy issues, we provided policymakers with the information they needed to understand the broad impact and effects of potential reform proposals. In FY 2009, we met this target as we continued to provide analysis and research on policy initiatives and produced briefing materials for Congressional hearings to inform policymakers about the scope, impact, and dynamics of reform on the Old-Age, Survivors, and Disability programs. We also continued to use retirement modeling as one of our most important tools for evaluating the effects of Social Security reform proposals and produced numerous periodic reports that provide detailed statistical data on program size and trends.

Most recently we announced the establishment of a new *Financial Literacy Research Consortium* made up of research centers at Boston College, the RAND Corporation, and the University of Wisconsin. The *Financial Literacy Research Consortium* will develop innovative materials and programs to help Americans plan for a secure retirement. The consortium will tailor materials for Americans at different stages of their working lives – new workers, mid-career professionals, near-retirees, and those who have already left the workforce – to address the different challenges these individuals face. They will also help traditionally underserved populations better understand the path toward a secure retirement.

Trend: We met this target every year from FY 2003 - FY 2009 by conducting analyses related to Social Security reform.

Data Definition: Completed reports and analysis of present law provisions, as well as proposed and pending legislation and other proposals relating to solvency of the system.

Data Source: Office of Retirement and Disability Policy records (consists primarily of various micro simulation models, e.g., *Modeling Income in the Near Term*, *Financial Eligibility Model*, *Social Security and Accounts Simulator, and surveys, e.g., Survey of Income and Program Participation*, *Health and Retirement Study*).

PROGRAM EVALUATION

Evaluating programs is a systematic way to learn from experience by assessing how well a program is working. A focused evaluation examines specifically identified factors of a program in a more comprehensive way than a program would be evaluated using day-to-day experiences. The following are brief summaries of selected program evaluations we completed during FY 2009. We list the evaluations under the strategic goal they support as outlined in our *Fiscal Years 2008-2013 Agency Strategic Plan*. To obtain copies of the comprehensive results of completed evaluations write to:

Social Security Administration
Office of Budget, Finance and Management
Office of Strategic Services
3124 West High Rise
6401 Security Boulevard
Baltimore, MD 21235

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Hearings Process Report Card Survey

In FY 2009, we reported results of our first Hearings Process Report Card Survey which we conducted in FY 2008. This annual survey samples disability benefit applicants who recently received a hearing-level decision on their claim. Both favorable and unfavorable decisions were sampled for the survey. Questions addressed satisfaction with the entire hearing process, from requesting and waiting for the hearing to the hearing itself and receipt of the decision.

As in initial claims, the outcome of the hearing was a very strong driver of responders' perceptions of both the hearing process and our service overall. Those responders who received a favorable decision gave a rating of 80 percent "excellent," "very good," or "good" to the hearing process and 74 percent were satisfied with our service overall. Only 29 percent of responders who received an unfavorable decision were satisfied with the hearing process and only 34 percent were satisfied with our service overall. Satisfaction with the hearing experience and with our service overall among all responders was identical whether the hearing was held by video conference or face-to-face.

For all responders, whether they received a favorable or unfavorable decision, the lowest rated element of service was the length of time from the date they requested a hearing until it was held. Only 42 percent of those responders who received a favorable decision rated the timeframe for the hearing to be held as "excellent," "very good," or "good." Even less satisfied were those responders who received an unfavorable decision. Just 25 percent were satisfied with the wait for the hearing. Responders' opinions of the Judge's performance (courtesy, clarity of explanations about what would happen at the hearing, preparedness to discuss the case, opportunity given the individual to present the facts of the case) were more favorable, although the outcome of the hearing again exerted strong influence on satisfaction. Responders that received favorable decisions gave ratings ranging from 91 to 95 percent "excellent," "very good," or "good" for the Judge's performance. Satisfaction with the Judge's performance among responders receiving unfavorable decisions ranged from 40 to 53 percent.

Disability Appeals – Senior Attorney Adjudicator Quality Assessment

Almost 723,000 individuals are waiting for a hearing on their disability applications. To help eliminate our hearings backlog, we continued our initiative which allows our most experienced senior attorney adjudicators to issue fully favorable decisions without the need to conduct an actual hearing.

To evaluate the accuracy of these decisions, we conducted a random review of senior attorney adjudicators' decisions after the individual's disability benefits were awarded. Our quality review agreement rate was 96 percent for FY 2009 to date. The final FY 2009 agreement rate will not be available until mid November 2009 and will be published in next year's *Performance and Accountability Report.* Our senior attorney adjudicators expedited favorable decisions to nearly 25,000 claimants in FY 2008, the first year of the initiative. Continuing these positive results, our senior attorney adjudicators issued 36,366 decisions in FY 2009. These cases also have a positive effect on processing time because they are processed well under the current average of 491 days.

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process

Disability Claim Pre-Effectuation Accuracy Report

We have three large ongoing accuracy reviews of proposed disability determinations at the initial and reconsideration levels. One review randomly selects an equal number of proposed allowances and denial cases, and results are used to determine national and State-based accuracy rates. The other two reviews target case selection to proposed allowances and denials that are more likely to contain errors. Combined, these reviews resulted in pre-effectuation reviews of over 500,000 disability claims and appeals in FY 2009. In terms of compliance with national policy and bottom-line decisional accuracy, we were 97-percent accurate without initial disability determinations in FY 2009.

Disability Initial Claims Report Card

The Disability Initial Claims Report Card is an annual survey we conduct to measure customer satisfaction with the initial disability application process. We surveyed individuals who had filed for disability benefits – both Social Security and SSI – using separate samples from different phases of the application process. We surveyed selected individuals either shortly after they had filed for benefits (mid-process sample) or after they had received a decision that their application had been approved or denied.

We asked individuals to rate key aspects of our service related to the disability application process, such as processing time and the clarity of our explanations on how we decided their claims. This year, we published the first findings for individuals who were denied disability benefits at the initial claim level based on a disability application that was filed in the third quarter of FY 2007. The negative outcome had a very strong impact on the perception of service with 59 percent of denied individuals rating the ease of filing as "excellent," "very good," or "good" compared to 88 percent of those individuals awarded disability benefits. The various elements of how well employees did their jobs were the highest rated aspects of service for denied applicants – about 70 percent of responders were satisfied – while the amount of time to process their claims was the lowest – 45 percent satisfied. About half of the denied individuals also indicated they were dissatisfied with their ability to obtain information about their claim while it was pending.

We will publish the results from our FY 2009 Disability Initial Claims Report Card in our *Fiscal Year 2010 Performance and Accountability Report.*

Evaluation of Ticket to Work Program and Adequacy of Incentives

The *Ticket to Work* program is one of our return-to-work initiatives. The purpose of the program is to expand the universe of service providers available to individuals with disabilities who are seeking vocational rehabilitation, employment, and other related support services. We issue a ticket to eligible individuals who may choose to assign the ticket to an Employment Network. Employment Networks offer one or more services, such as job readiness and work skills assessment, career counseling, employment placement internships and apprenticeships, vocational rehabilitation, job coaching, transportation, and other support. *The Worksite* (www.socialsecurity.gov/work) provides a host of resource for *Ticket to Work* participants.

An independent evaluation of the program, now in its 7th year, is providing us with ongoing feedback on the program's effectiveness and potential. For a full discussion of the *Ticket to Work* program and evaluation findings, see http://www.socialsecurity.gov/disabilityresearch/research.htm#Ticket.

Strategic Goal 3: Improve Our Retiree and Other Core Services

Overall Service Satisfaction Surveys

We continually evaluate our retirement and other core services by surveying individuals who use them. These surveys provide us with the public's perception of the services we provide whether via the Internet, telephone, or in-person visits to our offices. In addition, public feedback helps us to identify strengths and weaknesses in our programs and processes so we can make improvements accordingly. We combine the results of the Service Satisfaction Surveys to produce a single customer satisfaction measure. In FY 2009, we sustained a high level of customer satisfaction with an overall service rating of 81 percent as "excellent," "very good," or "good." Overall satisfaction has remained stable at this 81 percent rate since FY 2007. Below, we discuss our survey activities to evaluate service satisfaction.

800 Number Caller Survey

Our telephone service remains a primary service option for providing effective and efficient service to the public. Last year, we handled 82 million calls to our National 800 Number, and we expect the volume to grow in 2010. To ensure we are providing quality service, we annually survey callers to our National 800 Number to obtain and measure their satisfaction with our telephone service. This survey provides first-hand feedback about callers' experiences and perception of our National 800 Number.

In FY 2009, we reported findings from our FY 2008 National 800 Number Caller Survey which showed the majority of callers remain satisfied with our 800 Number service. The overall satisfaction rating remained stable at 77 percent "excellent," "very good," or "good," compared to 78 percent in FY 2007. However, the FY 2008 satisfaction level reflected the continuation of a decline that began in FY 2006 after a 4-year period of ratings in the 84 to 86 percent range. The decline in overall satisfaction was linked to falling satisfaction with access to our 800 Number. The satisfaction rate for access in FY 2008 was 67 percent which is significantly lower than the 75 percent rate sustained from FY 2002 to FY 2006.

Additional survey findings demonstrated the issue of access has become more complex with the introduction of sophisticated call center technology. Caller perceptions of access are influenced by factors beyond the traditional elements of encountering busy signals and waiting on hold. Survey results showed that 45 percent of callers thought it was hard to get the interactive voice prompt to understand the service they needed. Only 49 percent of these individuals' access rating was "excellent," "very good," or "good." On the other hand, 81 percent of callers that thought it was easy to reach the service they needed rated access as "excellent," "very good," or "good." This type of finding underscores the need for our continued efforts to fine-tune the speech recognition scripts so that our callers find it easier to obtain the service they need using interactive voice prompts. Based on the survey results, though, once callers reached our 800 Number agents, they were highly satisfied with the service we provided. Caller ratings of various aspects of staff performance, such as helpfulness and job knowledge, increased significantly in FY 2008 and ranged from 90 to 93 percent "excellent," "very good," or "good."

Preliminary results from our FY 2009 National 800 Number Caller Survey show that satisfaction with both access and 800 Number Service overall were essentially the same as in FY 2008: The overall rate was 78 percent and access was 68 percent "excellent," "very good," or "good." We will report on our detailed analysis of FY 2009 data in our *Fiscal Year 2010 Performance and Accountability Report.*

Field Office Caller Survey

Our FY 2008 Survey of Field Office Callers, published in FY 2009, showed public satisfaction with field office telephone service held steady with 79 percent of responders rating it "excellent," "very good," or "good." Callers continue to be highly satisfied with the service they receive from field office staff, but access to telephone service remains problematic and is the primary cause for dissatisfaction. Just over half of our survey responders reported they had tried to call our field offices but were unable to get through. Similarly, slightly more than half were satisfied with the amount of time they had to wait on hold before they were connected to a field office employee.

Initial results from our FY 2009 Survey of Field Office Callers indicate that satisfaction remained stable at 78 percent "excellent," "very good," or "good." Perceptions of other aspects of service were also comparable to FY 2008 results. We will report on our detailed analysis of FY 2009 data in our *Fiscal Year 2010 Performance and Accountability Report.*

Office Visitor Survey

Our offices are our front door for the American public. To better serve the public, we conduct an annual Office Visitor Survey. In FY 2009, we published our latest annual Office Visitor Survey Report based on the results of a "report card" completed by a random sample of individuals that visited our field and hearing offices during the last quarter of FY 2007. Survey results continued to reflect a high degree of public satisfaction with our in-person service. Office visitors gave an overall service rating of 90 percent "excellent," "very good," or "good," in line with their ratings over the last few years. Positive perceptions of staff performance contributed to this level of overall satisfaction. Ratings of staff courtesy, helpfulness, job knowledge, and clarity of explanations ranged from 91 to 93 percent "excellent," "very good," or "good." The lowest rated aspect of in-person service was office privacy, with a satisfaction rate of 76 percent. We recognize the importance of improving this aspect of our service, and we are mounting an initiative to redesign our reception and interview areas with a focus on protecting visitor privacy and confidentiality.

Preliminary results from our FY 2009 Office Visitor Survey still reflect a highly positive view of our in-person service, with satisfaction at 88 percent "excellent," "very good," or "good." However, the decline from the previous 90 percent satisfaction rate was statistically significant. We will report on our detailed analysis of FY 2009 data, including discussion of the factors that may have contributed to the decline in the overall rating, in our *Fiscal Year 2010 Performance and Accountability Report*

Internet Service Satisfaction Surveys

Nearly 80 million baby boomers will file for retirement benefits over the next 20 years, an average of 10,000 per day. The public's increased use of our online services is essential for us to effectively handle the anticipated influx of baby-boomer retirement claims and is a major element in our *Agency Strategic Plan*. In addition to online retirement and disability claims, we offer several other online services. We evaluate these services on an ongoing basis to ensure they remain up-to-date and fulfill the public's needs. See www.socialsecurity.gov/onlineservices to view the online services we currently offer. Below are some surveys we conduct to evaluate our Internet services. The survey responses help us learn more about the public's preferences for service delivery and gain insight about the market for electronic services.

Prospective Client Survey

In FY 2009, we reported results of our second Prospective Client Survey, which we conducted in FY 2008. The purpose of this survey was to refresh our understanding of the service delivery preferences and expectations of the public approaching retirement age, with a focus on electronic service delivery. The survey results reflected the opinions of almost 3,400 United States responders between the ages of 50 and 64. The survey addressed the public's preferred methods for conducting various types of Social Security business and identified the service attributes most important to our future clients. We also included questions about the nature and extent of the public's Internet use and their attitudes about online filing for Social Security benefits.

The survey revealed some shifts in our client preferences for conducting Social Security business compared to the previous survey we conducted in FY 2005. The most notable trends were increased interest in using the Internet for reporting changes or obtaining personal information after entitlement to benefits; a decline in the preference for an office visit to file for benefits; and a rise in the preference for dealing with a field office by telephone for a benefit application versus a visit to our field office to conduct their business.

Survey of Auxiliary and Survivor Benefit Applications

In FY 2008, we conducted a survey of recently awarded auxiliary and survivor beneficiaries. The purpose of this survey was to measure this group's satisfaction with our current claims process and their level of interest in filing online. Survey responses represented the opinions of 914 auxiliary or survivor child beneficiaries and 718 aged widow/er beneficiaries who recently filed claims.

Our survey found both child and widow responders viewed the current application process very positively, giving an overall rating of 96 percent "excellent," "very good," or "good." They were very satisfied with all aspects of their experience and gave high marks to the convenience of our service and the quality of our employees.

Although their experience with the traditional application process was highly positive, child responders expressed considerable interest in online filing. Among all child responders, 65 percent said they use the Internet. Of these Internet users, 60 percent said they would have been interested in filing online if that service had been available. This translates to 38 percent of all child responders, a much higher proportion than seen in surveys of applicants for other types of benefits. The extent of Internet use (34 percent) and an interest in filing online (42 percent of Internet users) was much lower among widow responders.

Internet Benefit Applicant Survey

In FY 2009, we conducted a survey to measure the satisfaction of those individuals who used our new "*iClaim*" to file for retirement or disability benefits. For retirement claims, the survey explored satisfaction with the entire process, from filing online through receiving the decision, since these claims are usually processed very quickly. We selected individuals who filed for disability benefits not long after they filed their claim to facilitate their recall of the experience completing the "*iClaim.*" They provided their opinions while their applications were still being processed.

We have completed an initial analysis of survey results. Individuals that filed for retirement or disability benefits reported a very positive experience using *iClaim*, giving a combined rating of 94 percent "excellent," "very good," or "good." Individuals that filed for retirement benefits were especially enthusiastic, with 98 percent satisfied. Ratings for Individuals that filed for disability benefit were also very favorable at 88 percent.

We will report on additional survey findings in our *Fiscal Year 2010 Performance and Accountability Report.*

Each year we process 6 million original and 12 million replacement Social Security card applications. We also verify Social Security numbers more than one billion times a year through a variety of electronic data exchanges with public and private organizations. The process of assigning and issuing Social Security numbers is referred to as enumeration. To assess our enumeration process, we conduct annual reviews to measure our overall accuracy rate using a random sample of original Social Security numbers assigned during the fiscal year by one of the following means:

- Enumeration-at-Birth: Parents can apply for a Social Security number for their newborn child at the same time they apply for their newborn's birth certificate. The State agency that issues the birth certificate will share the information with us at which time we assign a Social Security number and issue a Social Security card;
- Enumeration-at-Entry: Certain non-citizens can apply for a Social Security number as part of the Department of State's immigration process. When the immigrant enters the United States, the Department of Homeland Security electronically transmits the enumeration information to us. If the immigrant qualifies, we assign a Social Security number and issue a Social Security card; and
- Paper Social Security number applications: Individuals complete the SS-5, Application for a Social Security card, and submit it to a field office or Social Security Card Center.

In FY 2008, enumeration accuracy for the assignment of a Social Security number was 99.9 percent. Almost all of the assignment errors for FY 2008 were detected in the Enumeration-at-Entry process, which represents less than 2 percent of the enumeration population. Results from our FY 2009 Enumeration Quality Review will not be available until May 2010. We will report the results in our *Fiscal Year 2010 Performance and Accountability Report.*

Social Security Statement Survey

The Social Security Statement is a concise, easy-to-read personal record of the earnings individuals paid Social Security taxes on during their working years and a summary of the estimated benefits individuals and their families may receive as a result of those earnings. Each year, we issue the *Social Security Statement* to more than 150 million individuals who are eligible to receive it.

The *Social Security Statement* contains:

- An estimate of potential monthly Social Security retirement, disability, survivor, and auxiliary benefits and a description of benefits under Medicare;
- The amount of wages paid to an individual or income from self-employment; and
- The aggregate taxes paid toward Social Security and Medicare.

The objectives of the *Social Security Statement* are to:

- Help individuals verify the information in their earnings record;
- Educate the public about Social Security programs. The Statement contains information about the various benefits to which a worker may be entitled; and
- Assist in financial planning. The Statement provides individuals with information regarding potential retirement, disability, and survivors benefits.

To ensure the *Statemen*t is meeting its objective and providing value to the public, we have an ongoing evaluation plan. This plan includes focus group testing and formal surveys. During FY 2009, we conducted one tracking survey to measure the effectiveness of, and improve customer satisfaction with the *Statement*. In FY 2010, we plan to conduct two surveys. The surveys will be divided equally among:

- Recipients who have an earnings history with both covered and non-covered earrings under Social Security; and
- Recipients who have only earnings covered under Social Security.

Information obtained from this survey will help us to identify what is needed to improve the public's awareness, understanding, and use of the *Social Security Statement*. Data for FY 2009 was not available at the time our *Fiscal Year 2009 Performance and Accountability Report* was published. We will report FY 2009 data in our *Fiscal Year 2010 Performance and Accountability Report.*

Strategic Goal 4: Preserve the Public's Trust in Our Programs

Retirement, Survivors, and Disability Insurance Stewardship Review

We have conducted the Old Age and Survivors Insurance Stewardship reviews since 1981 and the Disability Insurance Stewardship reviews since 1998. This annual review provides an accuracy measurement of Social Security benefit payments. Stewardship review findings provide the basis for reports to monitoring authorities, as well as the reporting requirements contained in the Improper Payments Act of 2002.

The Stewardship review is based on a monthly sample of individuals receiving Social Security benefits. Each month, about 90 OASI cases and about 50 DI cases are selected. For each of these samples, the beneficiary or representative payee is interviewed, collateral contacts are made as needed, and all nonmedical factors of eligibility are redeveloped as of the sample month. We are presenting data for FY 2008 since this data was not available at the time the *Fiscal Year 2008 Performance and Accountability Report* was published.

Total spending for the Title II OASDI program in FY 2008 was $607 billion and there were 50.6 million individuals receiving benefits at the end of the fiscal year. Our payment accuracy with respect to overpayments was 99.7 percent based on improper payments totaling a projected $2 billion (i.e., 99.7 percent of all payments are free of overpayment errors). We refer to this as the overpayment accuracy rate. Payment accuracy with respect to underpayments, referred to as the underpayment accuracy rate, was 99.9 percent based on unpaid dollars projected at $495 million (i.e., underpayment dollars as a percentage of total dollars paid were 0.08 percent).

For FY 2008, each tenth of a percentage point in the payment accuracy represents about $607 million in program spending for the Title II program. Overall, Title II OASDI accuracy rates have remained steady over the past 5 years. In the OASDI program, errors dollars involving substantial gainful activity are the leading category of overpayments. The leading categories of underpayment error dollars in the OASDI programs involve computational problems with the primary insurance amount computation. The sheer magnitude of the payments made in the Title II program, approximately $607 billion in FY 2008, means that even a small percentage in error will result in a substantial dollar error.

Data for FY 2009 was not available at the time our *Fiscal Year 2009 Performance and Accountability Report* was published. We will report the FY 2009 data in our *Fiscal Year 2010 Performance and Accountability Report.*

Supplemental Security Income Stewardship Review

This review is similar to the Retirement, Survivors, and Disability Insurance Payment Accuracy Stewardship Review discussed above. In this review, we measure the accuracy of payments to individuals who received SSI during the fiscal year. The review is based on a random sample of approximately 4,000 SSI cases from which findings are projected to the universe of all individuals receiving SSI. In conducting the review, we interview individuals (or their representative payees) and contact other sources such as employers and financial institutions to obtain supporting information. We recreate all non-medical factors of SSI eligibility to measure the accuracy of the payments. We report findings as a percent of SSI dollars paid that are free of overpayment and underpayment errors.

In FY 2008, the latest year for which we have findings, the SSI overpayment accuracy rate was 89.7 percent, and the underpayment accuracy rate was 98.3 percent. While the overpayment rate was lower than the FY 2007 rate (90.9 percent) and the underpayment rate was higher than the FY 2007 rate (98.5 percent), the differences are not statistically significant. The leading cause of SSI overpayments were financial account errors and the leading cause of underpayments were wage errors.

Data for FY 2009 was not available at the time our *Fiscal Year 2009 Performance and Accountability Report* was published. We will report FY 2009 data in our *Fiscal Year 2010 Performance and Accountability Report.*

The *Federal Information Security Management Act of 2002* Report to Congress

The *Federal Information Security Management Act* (FISMA) is an information technology security framework for all federal agencies included in the *eGov Act of 2002*. These agencies are required to submit a FISMA report to the Office of Management and Budget by November 18 of this year. The report summarizes the results of annual information technology security reviews of systems and programs, agency progress on correcting identified weaknesses, and the results of other work performed during the reporting period using the Office of Management and Budget's performance measures to assess and report the status of agency information technology security programs. We are a leader among federal agencies for our implementation of FISMA. There are currently several bills pending in Congress to strengthen FISMA. As Congress considers revamped cybersecurity legislation, we will strive to meet and exceed requirements for protecting the privacy and security of personal information.

Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

The *Social Security Act* requires the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds to report annually to Congress on the financial and actuarial status of the two Social Security Trust Funds – OASI and DI. The *2009 OASDI Trustees Report*, issued in May 2009, showed a worsening of the projected long-term financial status of the Social Security program compared to the Trustees' 2008 report. The primary reasons for this worsening were lower assumed levels of economic activity that reflect the recent economic recession and faster reductions in death rates assumed in the long term. Other report highlights included:

- The projected point at which tax revenues will fall below program costs is 2016 - one year sooner than the estimate in last year's report;
- The projected point at which the Trust Funds will be exhausted is 2037 - four years sooner than the estimate in last year's report;
- The projected actuarial deficit over the 75-year long-range period is 2.00 percent of taxable payroll - up from 1.70 percent in last year's report; and
- Over the 75-year period, the Trust Funds would require additional revenue equivalent to $5.3 trillion in present value as of January 1, 2009, to pay all scheduled benefits.

See http://www.socialsecurity.gov/OACT/TR/2009/index.html for the full *2009 OASDI Trustees Report to Congress*.

Annual Report of the Supplemental Security Income Program

We are required by law to report annually to the President and to Congress on the status of the SSI program. The report must include projections of program participation and costs through at least the next 25 years. The 2009 report, issued in May 2009, covered the 25-year period 2009 to 2033. Significant findings stemming from our evaluation included:

- By 2033, the end of the 25-year projection period, the federal SSI recipient population is estimated to reach 9.7 million. The projected growth in the SSI program over the 25-year period is largely due to the overall growth in the U.S. population, although the current economic recession is expected to temporarily generate additional growth beyond what might be expected from historical trends. The percentage of the population receiving SSI is projected to vary somewhat by age group, with the percentage for those age 65 or older projected to decline, and the percentage for those under 65 projected to increase slightly;
- Expressed as a percentage of the total U.S. population, the number of federal SSI recipients increased slightly from 2.28 percent in 2007 to 2.31 percent in 2008 and is projected to increase gradually to 2.56 percent of the population by 2033 due largely to the changing age distribution of the population;
- Federal expenditures for SSI payments in calendar year 2009 are estimated to increase by $2.8 billion to $44.9 billion, an increase of 6.7 percent from 2008 levels;
- In constant 2009 dollars, federal expenditures for SSI payments are projected to increase to $57 billion in 2033, a real increase of 1.3 percent per year; and
- When compared to the Gross Domestic Product, federal SSI expenditures are projected to temporarily increase from the 2008 level of 0.29 percent of the Gross Domestic Product due to the effects of the economic recession, but thereafter gradually decline over time to 0.25 percent of Gross Domestic Product by 2033.

Supplemental Security Income Annual Reports provide our agency, Congress, and other interested parties with information on the future of the SSI program. These reports can also represent a basis for considering and evaluating possible changes to the program. The 2009 report can be found at http://www.socialsecurity.gov/OACT/ssir/SSI09/index.html.

SOCIAL SECURITY ADMINISTRATION

FINANCIAL SECTION

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Fiscal Year (FY) 2009 has been an important year for the agency with regard to financial management. We continued our commitment to excellence in financial reporting by receiving an unqualified audit opinion on our FY 2009 financial statements for the 16th consecutive year. The unqualified opinion attests to the fair presentation of our financial statements and demonstrates the discipline and accountability essential to our responsibilities as stewards of Social Security funds.

We also received an unqualified opinion from our auditors on our assertion that SSA's internal control over financial reporting was operating effectively during FY 2009. The auditors determined that we had no material weaknesses, but did identify a significant deficiency in internal control by reporting that we need to further strengthen controls to protect our information. We are committed to pursuing corrective action until the deficiency is corrected. Further discussion of the significant deficiency may be found in the *Systems and Controls* and the *Auditor's Reports* sections of this report.

For the 11th consecutive year, we also received the prestigious Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for our *FY 2008 Performance and Accountability Report*. The receipt of this award demonstrates our commitment to accountability and quality reporting.

We also continued our tradition of implementing, developing, and using information technology advancements that will provide relevant, reliable, and timely accounting and management information. During FY 2009, SSA became the first Federal agency to upgrade our existing accounting system with Release 12, the latest Federal Financials software from Oracle. Release 12 is a major milestone toward meeting the Financial Management Line of Business requirements and offers enhancements to improve internal controls. It enables us to review and analyze financial data with greater ease, as well as increasing the integrity of accounting data. We also continued planning the implementation of an improved cost accounting system which will better manage and account for resources and enhance decision-making.

In addition, we have several important and ambitious projects that we are undertaking with the funds appropriated to us through the *American Recovery and Reinvestment Act* (Recovery Act) of 2009. As the Senior Accountable Official, I am responsible for overseeing how we use and account for the Recovery Act resources. We received funding to process retirement and disability workloads and to construct and partially equip a new data center to replace our aging National Computer Center. We also received funding to issue one-time economic recovery payments totaling over $13 billion to almost 53 million eligible individuals. SSA's Recovery Act Risk Management Plan includes effective procedures to ensure full accountability and transparency in accordance with the standards established by Congress. These projects are continuously monitored and sound internal controls are in place to aid us in effectively accounting for all Recovery Act Funds.

I would like to acknowledge our SSA employees who are committed to building upon a tradition of sound fiscal stewardship and responsible management of the programs entrusted to us. We share a deep commitment to upholding the highest standards of integrity in discharging our fiduciary responsibilities to our fellow Americans.

Mary Glenn-Croft
Chief Financial Officer
November 9, 2009

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The agency's financial statements and additional information for fiscal years (FY) 2009 and 2008 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2009 and 2008, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.

- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2009 and 2008. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.

- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2009 and 2008. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.

- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2009 and 2008. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.

- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.

- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2009 and 2008
(Dollars in Millions)

Assets	**2009**	2008
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 7,286**	$ 6,949
Investments (Note 5)	**2,504,248**	2,367,138
Interest Receivable, Net (Note 5)	**29,382**	29,112
Accounts Receivable, Net (Note 6)	**565**	425
Total Intragovernmental	**2,541,481**	2,403,624
Accounts Receivable, Net (Notes 3 and 6)	**9,694**	8,931
Property, Plant, and Equipment, Net (Notes 3 and 7)	**2,455**	2,121
Other	**4**	4
Total Assets	**$ 2,553,634**	$ 2,414,680
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 4,310**	$ 3,937
Accounts Payable	**8,512**	8,044
Other	**286**	256
Total Intragovernmental	**13,108**	12,237
Benefits Due and Payable	**79,859**	73,127
Accounts Payable	**453**	423
Other	**1,389**	1,401
Total Liabilities	**94,809**	87,188
Net Position		
Unexpended Appropriations-Earmarked Funds (Note 9)	**58**	54
Unexpended Appropriations-Other Funds	**680**	1,724
Cumulative Results of Operations-Earmarked Funds (Note 9)	**2,456,852**	2,325,293
Cumulative Results of Operations-Other Funds	**1,235**	421
Total Net Position	**2,458,825**	2,327,492
Total Liabilities and Net Position	**$ 2,553,634**	$ 2,414,680

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2009 and 2008
(Dollars in Millions)

	2009	2008
OASI Program		
Benefit Payments	**$ 548,695**	$ 505,221
Operating Expenses (Note 10)	**3,559**	3,379
Total Cost of OASI Program	**552,254**	508,600
Less: Exchange Revenues (Notes 11 and 12)	**16**	12
Net Cost of OASI Program	**552,238**	508,588
DI Program		
Benefit Payments	**116,120**	104,103
Operating Expenses (Note 10)	**2,856**	2,700
Total Cost of DI Program	**118,976**	106,803
Less: Exchange Revenues (Notes 11 and 12)	**40**	30
Net Cost of DI Program	**118,936**	106,773
SSI Program		
Benefit Payments	**42,114**	38,349
Operating Expenses (Note 10)	**3,486**	3,132
Total Cost of SSI Program	**45,600**	41,481
Less: Exchange Revenues (Notes 11 and 12)	**347**	297
Net Cost of SSI Program	**45,253**	41,184
Other		
Benefit Payments	**9**	10
Operating Expenses (Note 10)	**15,222**	1,844
Total Cost of Other Program	**15,231**	1,854
Less: Exchange Revenues (Notes 11 and 12)	**10**	8
Net Cost of Other	**15,221**	1,846
Total Net Cost		
Benefit Payments	**706,938**	647,683
Operating Expenses (Note 10)	**25,123**	11,055
Total Cost	**732,061**	658,738
Less: Exchange Revenues (Notes 11 and 12)	**413**	347
Total Net Cost	**$ 731,648**	$ 658,391

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2009 and 2008
(Dollars in Millions)

	2009		2008	
	Cumulative Results of Operations	**Unexpended Appropriations**	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	**$ 2,325,293**	**$ 54**	$ 2,140,617	$ 57
All Other Funds	**421**	**1,724**	175	2,222
Adjustments				
Beginning Balances Total	**$ 2,325,714**	**$ 1,778**	$ 2,140,792	$ 2,279
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds		**20,833**		17,840
All Other Funds		**61,821**		43,847
Other Adjustments				
Earmarked Funds		**(7)**		(10)
All Other Funds	**0**	**(687)**	0	(56)
Appropriations Used				
Earmarked Funds	**20,822**	**(20,822)**	17,833	(17,833)
All Other Funds	**62,178**	**(62,178)**	44,289	(44,289)
Tax Revenues-Earmarked Funds (Note 13)	**668,186**		671,182	
Interest Revenues-Earmarked Funds	**118,230**		115,105	
Transfers In/Out Without Reimbursement				
Earmarked Funds	**(5,561)**		(5,247)	
All Other Funds	**7,509**		6,957	
Railroad Retirement Interchange-Earmarked Funds	**(4,510)**		(4,184)	
Net Transfers In/Out				
Earmarked Funds	**(10,071)**		(9,431)	
All Other Funds	**7,509**		6,957	
Other Budgetary Financing Sources-				
Earmarked Funds	**59**		83	
Other Financing Sources (Non-Exchange)				
Imputed Financing Sources- All Other Funds (Note 14)	**578**		496	
Other				
All Other Funds	**(3,470)**		(3,201)	
Total Financing Sources				
Earmarked Funds	**797,226**	**4**	794,772	(3)
All Other Funds	**66,795**	**(1,044)**	48,541	(498)
Net Cost of Operations				
Earmarked Funds	**665,667**		610,096	
All Other Funds	**65,981**		48,295	
Net Change				
Earmarked Funds	**131,559**	**4**	184,676	(3)
All Other Funds	**814**	**(1,044)**	246	(498)
Ending Balances				
Earmarked Funds	**2,456,852**	**58**	2,325,293	54
All Other Funds	**1,235**	**680**	421	1,724
Total All Funds	**$ 2,458,087**	**$ 738**	$ 2,325,714	$ 1,778

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2009 and 2008
(Dollars in Millions)

		2009		2008
Budgetary Resources (Note 15)				
Unobligated Balance, Brought Forward, October 1	$	2,860	$	3,146
Recoveries of Prior Year Unpaid Obligations		490		619
Budget Authority				
Appropriations		899,939		864,648
Spending Authority from Offsetting Collections				
Earned				
Collected		4,233		4,429
Change in Receivable		(7)		1
Change in Unfilled Customer Orders				
Advance Received		(56)		19
Expenditure Transfers from Trust Funds		11,629		9,835
Subtotal		915,738		878,932
Nonexpenditure Transfers, Net		38		189
Temporarily Not Available Pursuant to Public Law		(141,431)		(183,086)
Permanently Not Available		(700)		(68)
Total Budgetary Resources	$	776,995	$	699,732
Status of Budgetary Resources (Note 15)				
Obligations Incurred				
Direct	$	770,188	$	692,452
Reimbursable		4,223		4,420
Subtotal		774,411		696,872
Unobligated Balances				
Apportioned		728		1,015
Unobligated Balance - Not Available		1,856		1,845
Total Status of Budgetary Resources	$	776,995	$	699,732
Change in Obligated Balance				
Obligated Balances, Net				
Unpaid Obligations, Brought Forward, October 1	$	79,950	$	76,729
Uncollected Customer Payments, Brought Forward, October 1		(2,522)		(2,284)
Total Unpaid Obligated Balance, Net		77,428		74,445
Obligations Incurred, Net		774,411		696,872
Gross Outlays		(766,743)		(693,032)
Recoveries of Prior Year Unpaid Obligations, Actual		(490)		(619)
Change in Uncollected Customer Payments		(1,221)		(238)
Obligated Balance, Net, End of Period				
Unpaid Obligations		87,128		79,950
Uncollected Customer Payments		(3,743)		(2,522)
Total Unpaid Obligated Balance, Net, End of Period	$	83,385	$	77,428
Net Outlays				
Net Outlays				
Gross Outlays	$	766,743	$	693,032
Offsetting Collections		(14,575)		(14,045)
Distributed Offsetting Receipts		(24,554)		(21,198)
Net Outlays	$	727,614	$	657,789

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

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2009
(In billions)

		Estimates from Prior Years			
	2009	**2008**	**2007**	**2006**	**2005** unaudited
Actuarial present value for the 75-year projection period of estimated future tax income received from or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$18,559	$18,249	$17,515	$16,568	$15,290
Have attained retirement eligibility age (Age 62 and over)	575	542	477	533	464
Those expected to become participants (Under age 15)	18,082	17,566	16,121	15,006	13,696
All current and future participants	37,217	36,357	34,113	32,107	29,450
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	30,207	29,021	27,928	26,211	23,942
Have attained retirement eligibility age (Age 62 and over)	7,465	6,958	6,329	5,866	5,395
Those expected to become participants (Under age 15)	7,223	6,933	6,619	6,480	5,816
All current and future participants	44,894	42,911	40,876	38,557	35,154
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,677	-$6,555	-$6,763	-$6,449	-$5,704

Additional Information

Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,677	-$6,555	-$6,763	-$6,449	-$5,704
Combined OASI and DI Trust Fund assets at start of period	2,419	2,238	2,048	1,859	1,687
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost, plus the combined OASI and DI Trust Fund assets at start of period (Note 17)	-$5,258	-$4,316	-$4,715	-$4,591	-$4,017

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

(Presented in Millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) 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 the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136 *Financial Reporting Requirements.*

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). 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 and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and four general fund appropriations. Starting in the second quarter of FY 2009, SSA's financial statements also include new appropriations related to the *American Recovery and Reinvestment Act* (ARRA) of 2009.

LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, and Payments for Credits Against Social Security Contributions. SSA's financial 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, LAE, and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

Fund Balance with Treasury

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

Investments

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI 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-issue bonds. Special-issue bonds are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. 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 Consolidated Balance Sheets.

Property, Plant, and Equipment

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. 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 OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally-developed, contractor-developed, and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing (ADP) and Telecommunications Site Preparation, buildings, and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget, on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that affect budgetary obligations. However, HI/SMI's share of capital assets is considered a Non-Entity Asset.

Benefits Due and Payable

Liabilities are accrued for OASI and DI benefits due for the month of September, which by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals, and civil litigation cases. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally-recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the 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 fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund 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.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

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. As 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 a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund. The new ARRA appropriations are also funded by Treasury's General Fund.

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 taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those states choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Consolidated Statements 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.

Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically-identified revenues and other financing sources only for designated activities, benefits, or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA's earmarked funds are the OASI and DI Trust Funds, PTF, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

American Recovery and Reinvestment Act

Under the ARRA of 2009 (Public Law 111-5), SSA received appropriated funds to provide Title II and Title XVI recipients with a one-time economic recovery payment (ERP). Since these payments are ruled one-time payments and are to have no association with SSA's Trust Funds, they have been classified as operating expenses under the Other program on the financial statements. The appropriations received included funds to cover the expenses for administering these ERP payments. The agency also received funds for:

- Constructing and equipping a replacement for SSA's current National Computer Center;
- Processing OASI and DI workload and related health information technology costs; and
- Auditing and oversight of SSA's activities under the ARRA.

Refer to Note 10, Operating Expenses.

Medicare Improvements for Patients and Providers Act of 2008

In FY 2009, SSA received funding under the *Medicare Improvements for Patients and Providers Act of 2008* (Public Law 110-275). This funding covers SSA administrative expenses for the Medicare Saving Program and the Low Income Subsidy Program. Refer to Note 10, Operating Expenses.

2. 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. However, 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 Statements 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.

SSA contributions to CSRS were $97 and $104 million for the years ended September 30, 2009 and 2008. SSA contributions to the basic FERS plan were $335 and $297 million for the years ended September 30, 2009 and 2008. 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 the FERS savings plan were $117 and $106 million for the years ended September 30, 2009 and 2008. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are shown in Chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments classified as SSI Accounts Receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI Attorney Fees that are returned to the Department of the Treasury General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

Chart 3 - Non-Entity Assets as of September 30:
($ in millions)

	2009			2008		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	$ 5,322	$ (824)	$ 4,498	$ 5,240	$ (1,297)	$ 3,943
SSI Overpayment Coll	3,381	0	3,381	3,057	(72)	2,985
SSI State Supp Fees (GF)	154	0	154	141	0	141
Title VIII State Supp Fees (GF)	2	0	2	1	0	1
SSI Attorney Fees (GF)	6	0	6	5	0	5
PP&E (CMS)	31	0	31	33	0	33
Total	$ 8,896	$ (824)	$ 8,072	$ 8,477	$ (1,369)	$ 7,108

The SSI Accounts Receivable, Net, has been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-157 requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the states to SSA.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees. In addition, the Fund Balance with Treasury also includes the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI Attorney fees.

The Centers for Medicare and Medicaid Services (CMS) portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet is also recognized as a non-entity asset. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retains that portion of assets. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in Chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30:
($ in millions)

	2009	2008
Trust Funds*		
OASI	$ (210)	$ (329)
DI	(263)	(356)
LAE	29	55
General Funds		
SSI	3,102	4,329
Other	1,028	59
Other Funds		
SSI	216	202
Other	3,384	2,989
Total	$ 7,286	$ 6,949

*The phrase "Trust Funds" is being used as the fund type as defined by OMB.

Chart 4b - Status of Fund Balances as of September 30:
($ in millions)

	2009	2008
Unobligated Balance		
Available	$ 304	$ 659
Unavailable	675	1,499
Obligated Balance Not Yet Disbursed	3,151	2,230
OASI, DI and LAE	(444)	(630)
Non-Budgetary FBWT	3,600	3,191
Total	$ 7,286	$ 6,949

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2009 and 2008 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA's investments in Special-Issue U.S. Treasury Securities are $2,504,248 and $2,367,138 million as of September 30, 2009 and 2008, respectively. The interest rates on these investments range from 3⅛ to 7 percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2024. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are $29,382 and $29,112 million as of September 30, 2009 and 2008.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. Government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Government-wide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. ACCOUNTS RECEIVABLE

Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $565 and $425 million as of September 30, 2009 and 2008 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $3,181 and $2,167 million as of September 30, 2009 and 2008 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and state SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or received benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and state overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30, 2009:
($ in millions)

	2009			2008		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,457	$ (204)	$ 2,253	$ 2,685	$ (197)	$ 2,488
DI	5,224	(2,049)	3,175	5,018	(2,013)	3,005
SSI*	7,307	(1,878)	5,429	7,181	(1,835)	5,346
LAE	11	0	11	28	0	28
Subtotal	14,999	(4,131)	10,868	14,912	(4,045)	10,867
Less:						
Eliminations**	(1,174)	0	(1,174)	(1,936)	0	(1,936)
Total	$ 13,825	$ (4,131)	$ 9,694	$ 12,976	$ (4,045)	$ 8,931

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

Chart 6 shows that in FY 2009 and 2008, gross accounts receivable was reduced by $1,174 and $1,936 million as an intra-agency elimination. This intra-agency activity results primarily from Special Disability Workload (SDW) cases. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 46,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are $349 and $639 million as of September 30, 2009 and 2008. DI SDW receivables are $1 and less than $1 million as of September 30, 2009 and 2008. SSI SDW net receivables are $306 and $738 million as of September 30, 2009 and 2008.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets is reflected by major class in Chart 7.

Chart 7 - Property, Plant, and Equipment as of September 30:
($ in millions)

	2009			2008		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 4	$ 0	$ 4	$ 4	$ 0	$ 4
Buildings	522	(290)	232	515	(280)	235
Equipment (incl. ADP Hardware)	582	(494)	88	505	(446)	59
Internal Use Software	3,558	(1,475)	2,083	2,937	(1,120)	1,817
Leasehold Improvements	241	(193)	48	193	(187)	6
Total	$ 4,907	$ (2,452)	$ 2,455	$ 4,154	$ (2,033)	$ 2,121

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30:
($ in millions)

	2009			2008		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	$ 4,310	$ 0	$ 4,310	$ 3,937	$ 0	$ 3,937
Accounts Payable	124	8,388	8,512	36	8,008	8,044
Other	64	222	286	52	204	256
Total Intragovernmental	4,498	8,610	13,108	4,025	8,212	12,237
Benefits Due and Payable	76,123	3,736	79,859	69,977	3,150	73,127
Accounts Payable	33	420	453	34	389	423
Other	717	672	1,389	736	665	1,401
Total	$ 81,371	$ 13,438	$ 94,809	$ 74,772	$ 12,416	$ 87,188

Accrued Railroad Retirement Interchange

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is 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.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

Intragovernmental Other Liabilities

Intragovernmental Other Liabilities includes amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts Not Covered by budgetary resources for SSI State Administrative Fee Collections and amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA 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. The current portion represents SSA's accrued liability due to DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $60 and $58 million as of September 30, 2009 and 2008. Intragovernmental Other Not Covered amounts include $154 and $141 million as of September 30, 2009 and 2008 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2009 and 2008. 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.

Chart 8b - Benefits Due and Payable as of September 30:
($ in millions)

	2009	2008
OASI	$ 50,273	$ 46,418
DI	25,450	24,116
SSI	5,310	4,529
Subtotal	81,033	75,063
Less: Intra-agency eliminations	(1,174)	(1,936)
Total	$ 79,859	$ 73,127

Included in the Benefits Due and Payable for OASI, DI, and SSI are the estimated liabilities related to the settlement of Martinez, et. al v. Astrue case. The case generally concerns the ineligibility of certain individuals for cash benefits due to their status as "fleeing felons." The agency reached final approval of the settlement on September 24, 2009. The settlement order will restore benefits and/or eliminate overpayments for certain class members as defined in the settlement agreement. SSA developed reasonable estimates of the amount of restored benefits and the amount of overpayments to be eliminated. Estimated OASI and DI payables are $66 and $146 million as of September 30, 2009. Estimated SSI payables are $255 million as of September 30, 2009. Estimates related to this case for overpayment reductions for OASI, DI, and SSI are $35, $65, and $126 million, respectively, as of September 30, 2009. The estimated overpayment reductions are not included on SSA's consolidated financial statements; but rather, disclosed in this footnote.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Accounts Receivable. OASI payables are $224 and $286 million as of September 30, 2009 and 2008. DI payables are $1,182 and $2,104 million as of September 30, 2009 and 2008. In FY 2009, the DI SDW payable has decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2009 and 2008, gross Benefits Due and Payable was reduced by $1,174 and $1,936 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2009 and 2008.

Chart 8c - Net SDW Liability as of September 30: ($ in millions)		
	2009	2008
Net DI Liability	$ 1,182	$ 2,103
Net OASI Receivable	(125)	(353)
Net SSI Receivable	(306)	(738)
Net Liability Due to the Public	$ 751	$ 1,012

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to states and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment, is set up as an accounts payable until payment is made to the states.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $311 and $298 million as of September 30, 2009 and 2008 represents the expected liability from FECA claims for the next 23-year period. 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 leave earned but not taken.

Contingent Liabilities

We have been apprised by the Internal Revenue Service (IRS) that most of the employment tax cases pending in Federal courts throughout the country involving medical resident taxation are still pending. The cases concern whether medical residents are subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. The cases have led to disparate outcomes for the Government in the various courts on the question of medical resident taxation, and are being actively litigated. The Government has settled two of the lawsuits, but is continuing both to contest the remaining medical resident taxation cases and consider offers of settlement. The Department of Justice (Tax Division) is handling the litigation and SSA is not a named party. SSA is not able to make an estimate of the possible liability for the remaining cases at this time.

9. EARMARKED FUNDS

The OASI and DI Trust Funds, PTF, and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

PTF

PTF consists of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income Tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement, and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI State Administrative Fees

Administrative Fees collected from states are also classified as earmarked funds. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each state an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the state for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 9a for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2009 and 2008.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2009				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (210)	$ (263)	$ 96	$ 0	$ (377)
Investments	2,296,316	207,932	0	0	2,504,248
Interest Receivable	26,843	2,539	0	0	29,382
Accounts Receivables -Federal	1	1	0	0	2
Accounts Receivables - Non-Federal	2,253	3,175	0	(350)	5,078
Total Assets	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,817	$ 493	$ 0	$ 0	$ 4,310
Accounts Payable, Federal	932	800	2	(350)	1,384
Benefits Due and Payable	50,273	25,450	0	0	75,723
Other - Non Federal Liabilities	0	6	0	0	6
Total Liabilities	55,022	26,749	2	(350)	81,423
Unexpended Appropriations	0	0	58	0	58
Cumulative Results of Operations	2,270,181	186,635	36	0	2,456,852
Total Liabilities and Net Position	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
Statement of Net Cost					
Program Costs	$ 548,695	$ 116,120	$ 0	$ 0	$ 664,815
Operating Expenses	777	271	0	0	1,048
Less Earned Revenue	1	26	169	0	196
Net Cost of Operations	$ 549,471	$ 116,365	$ (169)	$ 0	$ 665,667
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,128,633	$ 196,648	$ 66	$ 0	$ 2,325,347
Tax Revenue	571,185	97,001	0	0	668,186
Interest Revenue	107,673	10,557	0	0	118,230
Net Transfers In/Out	12,147	(1,251)	(20,967)	0	(10,071)
Other	14	45	20,826	0	20,885
Total Financing Sources	691,019	106,352	(141)	0	797,230
Net Cost of Operations	549,471	116,365	(169)	0	665,667
Net Change	141,548	(10,013)	28	0	131,563
Net Position End of Period	$ 2,270,181	$ 186,635	$ 94	$ 0	$ 2,456,910

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,500 million of liabilities in the earmarked funds for the year ended September 30, 2009 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9a.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions) Reclassified

	2008				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (329)	$ (356)	$ 72	$ 0	$ (613)
Investments	2,150,651	216,487	0	0	2,367,138
Interest Receivable	26,403	2,709	0	0	29,112
Accounts Receivables -Federal	4	2	0	0	6
Accounts Receivables - Non-Federal	2,488	3,005	0	(644)	4,849
Total Assets	$ 2,179,217	$ 221,847	$ 72	$ (644)	$ 2,400,492
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,497	$ 440	$ 0	$ 0	$ 3,937
Accounts Payable, Federal	669	634	6	(644)	665
Benefits Due and Payable	46,418	24,116	0	0	70,534
Other - Non Federal Liabilities	0	9	0	0	9
Total Liabilities	50,584	25,199	6	(644)	75,145
Unexpended Appropriations	0	0	54	0	54
Cumulative Results of Operations	2,128,633	196,648	12	0	2,325,293
Total Liabilities and Net Position	$ 2,179,217	$ 221,847	$ 72	$ (644)	$ 2,400,492
Statement of Net Cost					
Program Costs	$ 505,221	$ 104,103	$ (3)	$ 0	$ 609,321
Operating Expenses	702	233	0	0	935
Less Earned Revenue	1	20	139	0	160
Net Cost of Operations	$ 505,922	$ 104,316	$ (142)	$ 0	$ 610,096
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 1,946,664	$ 193,947	$ 63	$ 0	$ 2,140,674
Tax Revenue	573,750	97,433	0	0	671,183
Interest Revenue	104,083	11,022	0	0	115,105
Net Transfers In/Out	10,038	(1,501)	(17,962)	0	(9,425)
Other	20	63	17,823	0	17,906
Total Financing Sources	687,891	107,017	(139)	0	794,769
Net Cost of Operations	505,922	104,316	(142)	0	610,096
Net Change	181,969	2,701	3	0	184,673
Net Position End of Period	$ 2,128,633	$ 196,648	$ 66	$ 0	$ 2,325,347

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,600 million of liabilities in the earmarked funds for the year ended September 30, 2008 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9a.

Chart 9b presents the Statement of Changes in Net Position in columnar format. Eliminations have no effect on columnar totals presented for the year ended September 30, 2009 and 2008.

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2009		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 2,325,293	$ 421	$ 2,325,714
Budgetary Financing Sources			
Appropriations Used	20,822	62,178	83,000
Tax Revenues (Note 13)	668,186	0	668,186
Interest Revenues	118,230	0	118,230
Transfers -In/Out - Without Reimbursements	(5,561)	7,509	1,948
RailRoad Retirement Interchange	(4,510)	0	(4,510)
Net Transfers-In/Out	(10,071)	7,509	(2,562)
Other Budgetary Financing Sources	59	0	59
Other Financing Sources (Non-Exchange)			
Imputed Financing Sources (Note 14)	0	578	578
Other	0	(3,470)	(3,470)
Total Financing Sources	797,226	66,795	864,021
Net Cost of Operations	665,667	65,981	731,648
Net Change	131,559	814	132,373
Cumulative Results of Operations	$ 2,456,852	$ 1,235	$ 2,458,087

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2009		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 54	$ 1,724	$ 1,778
Budgetary Financing Sources			
Appropriations Received	20,833	61,821	82,654
Other Adjustments	(7)	(687)	(694)
Appropriations Used	(20,822)	(62,178)	(83,000)
Total Budgetary Financing Sources	4	(1,044)	(1,040)
Total Unexpended Appropriations	58	680	738
Net Position	$ 2,456,910	$ 1,915	$ 2,458,825

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
Consolidated Schedule
($ in millions) Reclassified

	2008		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 2 ,140,617	$ 175	$ 2 ,140,792
Budgetary Financing Sources			
Appropriations Used	17,833	44,289	62,122
Tax Revenues (Note 13)	671,182	0	671,182
Interest Revenues	115,105	0	115,105
Transfers In/Out Without Reimbursement	(5,247)	6,957	1,710
Railroad Retirement Interchange	(4,184)	0	(4,184)
Net Transfers In/Out	(9,431)	6,957	(2,474)
Other Budgetary Financing Sources	83	0	83
Other Financing Sources (Non-Exchange)			
Imputed Financing Sources (Note 14)	0	496	496
Other	0	(3,201)	(3,201)
Total Financing Sources	794,772	48,541	843,313
Net Cost of Operations	610,096	48,295	658,391
Net Change	184,676	246	184,922
Cumulative Results of Operations	$ 2,325,293	$ 421	$ 2,325,714

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2008		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 57	$ 2,222	$ 2,279
Budgetary Financing Sources			
Appropriations Received	17,840	43,847	61,687
Other Adjustments	(10)	(56)	(66)
Appropriations Used	(17,833)	(44,289)	(62,122)
Total Budgetary Financing Sources	(3)	(498)	(501)
Total Unexpended Appropriations	54	1,724	1,778
Net Position	$ 2,325,347	$ 2,145	$ 2,327,492

10. OPERATING EXPENSES

Classification of Operating Expenses by Major Program

Chart 10a displays SSA's operating expenses for each major program. LAE SSA Operating expenses recorded in other represent (1) HI/SMI trust funds' shares of SSA's operating expenses including the Medicare Prescription Drug Program and (2) SSA's administrative expense for the Medicare Saving Program and the Low Income Subsidy Program. The FY 2009 Chart 10a shows two new categories, LAE ARRA and Program ERP. LAE ARRA Operating Expenses recorded in the Other program represent administrative costs attributable to ERP, expenses associated with the construction and setup of the new National Support Center (NSC), and costs related to the retirement and disability workload backlog. Program ERP amounts reported in Other represent the one-time payments made to eligible Title II and Title XVI beneficiaries. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of state agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

	2009						
	LAE			OASI and DI	Vocational		
	SSA	OIG	ARRA	Trust Fund Operations	Rehabilitation & Other	Program ERP	Total
OASI	$ 2,746	$ 36	$ 0	$ 774	$ 3	$ 0	$ 3,559
DI	2,551	34	0	144	127	0	2,856
SSI	3,354	0	0	0	132	0	3,486
Other	1,938	27	173	0	5	13,079	15,222
	$ 10,589	$ 97	$ 173	$ 918	$ 267	$ 13,079	$ 25,123

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

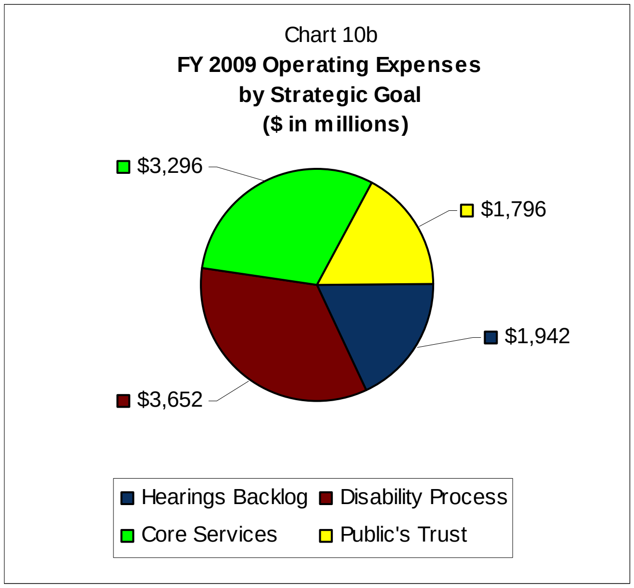
	2008				
	LAE		OASI and DI	Vocational	
	SSA	OIG	Trust Fund Operations	Rehabilitation & Other	Total
OASI	$ 2,642	$ 35	$ 702	$ 0	$ 3,379
DI	2,435	32	130	103	2,700
SSI	3,025	0	0	107	3,132
Other	1,820	27	0	(3)	1,844
	$ 9,922	$ 94	$ 832	$ 207	$ 11,055

Classification of Operating Expenses by Strategic Goal

The Revised Final FY 2009 *Annual Performance Plan* (APP) sets forth expected levels of performance for FY 2009 that the agency is committed to achieving, as well as includes proposed levels of performance for FY 2010. SSA's APP is characterized by broad-based strategic goals that are supported by the entire agency. The four goals are:

- Eliminate our hearings backlog and prevent its recurrence;
- Improve the speed and quality of our disability process;
- Improve our retiree and other core services; and
- Preserve the public's trust in our programs.

Chart 10b exhibits distribution of FY 2009 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the agency's LAE budget appropriation. Chart 10c which exhibits distribution of FY 2008 LAE operating expenses has been deleted because FY 2009 goals have been revised and are not comparable to FY 2008 goals. For Chart 10b, LAE ARRA expenses are subtracted from total SSA LAE operating expenses before being distributed to SSA's APP Strategic goals. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.



11. EXCHANGE REVENUES

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are $413 and $347 million for the years ended September 30, 2009 and 2008. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 states and the District of Columbia to administer some or all of the states' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of $329 and $285 million for the years ended September 30, 2009 and 2008.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of $161 and $146 million as of September 30, 2009 and 2008. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $154 and $141 million as of September 30, 2009 and 2008. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of $168 and $139 million for the years ended September 30, 2009 and 2008 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $84 and $62 million for the years ended September 30, 2009 and 2008 in other exchange revenue.

12. COSTS AND EXCHANGE REVENUE CLASSIFICATIONS

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits, and imputed financing costs. Refer to Note 14, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, ERP, payroll, and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering (1) a portion of the Medicare program, (2) the Medicare Saving Program and the Low Income Subsidy Program, and (3) ARRA activities.

Chart 12- Costs and Exchange Revenue Classifications as of September 30:
($ in millions)

	2009			2008		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,555	$ (11)	$ 1,544	$ 1,438	$ (7)	$ 1,431
Public	550,699	(5)	550,694	507,162	(5)	507,157
OASI Subtotal	552,254	(16)	552,238	508,600	(12)	508,588
DI Program						
Intragovernmental	869	(11)	858	817	(7)	810
Public	118,107	(29)	118,078	105,986	(23)	105,963
DI Subtotal	118,976	(40)	118,936	106,803	(30)	106,773
SSI Program						
Intragovernmental	978	(13)	965	857	(8)	849
Public	44,622	(334)	44,288	40,624	(289)	40,335
SSI Subtotal	45,600	(347)	45,253	41,481	(297)	41,184
Other Program						
Intragovernmental	550	(7)	543	516	(5)	511
Public	14,681	(3)	14,678	1,338	(3)	1,335
Other Subtotal	15,231	(10)	15,221	1,854	(8)	1,846
Total	$ 732,061	$ (413)	$ 731,648	$ 658,738	$ (347)	$ 658,391

13. 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 OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI 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 IRS or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $668,186 and $671,182 million for the years ended September 30, 2009 and 2008.

14. IMPUTED FINANCING

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $982 and $888 million for the years ended September 30, 2009 and 2008 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of $578 and $496 million for the years ended September 30, 2009 and 2008 that primarily represents annual service cost not paid by SSA.

15. BUDGETARY RESOURCES

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $899,939 and $864,648 million for the years ended September 30, 2009 and 2008. Appropriations Received on the Consolidated Statements of Changes in Net Position are $82,654 and $61,687 million for the same years. The primary differences of $817,285 and $802,961 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA’s Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB’s Circular A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects, or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B, and Exempt from Apportionment.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30:
($ in millions)

	2009			2008		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 73,573	$ 4,219	$ 77,792	$ 54,704	$ 4,415	$ 59,119
Exempt	696,615	4	696,619	637,748	5	637,753
Total	$ 770,188	$ 4,223	$ 774,411	$ 692,452	$ 4,420	$ 696,872

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements 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 OASI and DI Trust Funds. The portion of OASI and DI 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. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending, are included in Investments on the Consolidated Balance Sheets.

Chart 15b - OASI and DI Trust Fund Activities as of September 30:
($ in millions)

	2009	2008
Beginning Balance	$ 2,291,874	$ 2,108,790
Receipts	817,185	803,017
Less Obligations	675,754	619,933
Excess of Receipts Over Obligations	141,431	183,084
Ending Balance	$ 2,433,305	$ 2,291,874

Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and/or services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $1,722 and $1,552 million for the years ended September 30, 2009 and 2008.

Explanation of Material Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2008 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

A reconciliation has not been conducted for the year ended September 30, 2009 since this report is published in November 2009 but the actual budget data for FY 2009 will not be available until the President's Budget is published.

16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2009 and 2008
(Dollars in Millions)

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 774,411**	$ 696,872
Offsetting Collections and Recoveries	**(16,289)**	(14,903)
Obligations Net of Offsetting Collections and Recoveries	**758,122**	681,969
Offsetting Receipts	**(24,554)**	(21,198)
Net Obligations	**733,568**	660,771
Other Resources		
Imputed Financing	**578**	496
Other	**(329)**	(284)
Net Other Resources Used to Finance Activities	**249**	212
Total Resources Used to Finance Activities	**733,817**	660,983
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(227)**	(50)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**24,528**	21,178
Resources that Finance the Acquisition of Assets	**(755)**	(584)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(26,755)**	(23,197)
Total Resources Not Part of the Net Cost of Operations	**(3,209)**	(2,653)
Total Resources Used to Finance the Net Cost of Operations	**730,608**	658,330
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	**18**	12
Other	**601**	165
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**619**	177
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**421**	355
Revaluation of Assets and Liabilities	**(1)**	0
Other	**1**	(471)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**421**	(116)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**1,040**	61
Net Cost of Operations	**$ 731,648**	$ 658,391

Chart 16, presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one statement but not the other.

17. SOCIAL INSURANCE DISCLOSURES

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future tax income, estimated future cost, and the excess of income over cost for the "open group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI Social Insurance program.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions described in the 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) for the 75-year projection period beginning January 1, 2009. Similar actuarial present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future tax income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

In addition to the actuarial present value of estimated future excess of income excluding interest over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for a "closed group" of participants. The closed group of participants considered here consists of those who, in the starting year of the projection period, have attained age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future tax income for that group of participants.

Also included in the Statement of Social Insurance as "additional information" for the open group are: (1) the actuarial present value of the excess of estimated future income over the estimated future cost; (2) the combined OASI and DI Trust Fund assets at the start the period; and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, we believe its inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2009 totaled $2,419 billion and were comprised entirely of investment securities which are backed by the full faith and credit of the Federal Government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value, which represents the magnitude of what is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product over the period.

Because the OASDI program lacks borrowing authority, the open group unfunded obligation represents the amount of benefits scheduled in the law that would not be payable in the years after the assets in the combined OASI and DI Trust Fund become exhausted. Thus, if reserves in the combined OASI and DI Trust Fund become depleted, the amount of money available to pay benefits and other expenses would be limited to current tax income. Therefore, barring legislative action, this unfunded obligation represents a financial shortfall that would be accommodated by either paying benefits that are less than the amount scheduled or by delaying the payment of scheduled benefits.

Assumptions Used for the Statement of Social Insurance

The actuarial present values used in this presentation for the current year (2009) are based on the assumption that the income excluding interest and the benefit payments for the program would continue at the levels scheduled under current law, even after trust fund exhaustion. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2009

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2009	2.08	811.4	75.5	80.0	1,210,000	1.8	0.7	-1.0	-2.3	-2.2	3.0%
2010	2.08	806.4	75.7	80.1	1,190,000	1.8	3.4	1.7	-0.4	2.4	4.0%
2020	2.04	743.2	77.0	81.0	1,130,000	1.1	3.9	2.8	0.5	2.1	5.7%
2030	2.01	679.5	78.1	81.9	1,085,000	1.1	3.9	2.8	0.5	2.2	5.7%
2040	2.00	622.9	79.2	82.9	1,050,000	1.1	3.9	2.8	0.5	2.2	5.7%
2050	2.00	573.5	80.1	83.7	1,035,000	1.1	3.9	2.8	0.5	2.1	5.7%
2060	2.00	530.2	81.1	84.5	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2070	2.00	492.0	81.9	85.3	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	458.2	82.7	86.0	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%

1. The total fertility rate for a 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 assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex 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 a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given 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. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services in the U.S. economy, expressed in 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The actuarial present values used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values within 25 years from the start of the projection period. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on the SSA website at: http://www.ssa.gov/finance/ for the prior four years.

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years

					Average Annual Percentage Change In:			
Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates[2]	Net Annual Immigration (persons per year)[3]	Real-Wage Differential[4] (percentage points)	Average Annual Wage in Covered Employment[5]	CPI[6]	Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2009	2.0	0.79	1,065,000	1.1	3.9	2.8	0.5	2.9
FY 2008	2.0	0.75	1,070,000	1.1	3.9	2.8	0.5	2.9
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9
FY 2005 unaudited	1.95	0.72	900,000	1.1	3.9	2.8	0.3	3.0

1. The total fertility rate for a 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 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 the 25th year of the projection period. For the 2006 estimates, the ultimate total fertility rate was increased from 1.95 to 2.0.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64. For the 2009 estimates, the average annual percentage reduction in death rates increased primarily due to the increased ultimate rates of decline in mortality assumed for ages 65 through 84. For the 2009 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2005-2007 Statements, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period. For the 2008 and 2009 Statements, the value shown is the average net immigration level projected for the 75 year projection period. For the 2009 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment, and the average annual Consumer Price Index (CPI). Except for minor fluctuations, the ultimate assumption is reached within the first 10 years of the projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The annual rate of change stabilizes after the first 10 years of the projection period except for minor fluctuations.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment represents total of civilian and military employment in the U.S. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2009 Statement, the average annual rate of change is consistent with the annual percentages as shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached within the first 10 years of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2009 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2009-2005 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

18. RECOVERY OF MEDICARE PREMIUMS

SSA identified a systemic and recurring error in the process for recovering certain transfers to CMS of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from Social Security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately $800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

19. INCIDENTAL CUSTODIAL COLLECTIONS

SSA's custodial collections primarily consist of forfeiture of unclaimed money and property. In addition, other negligible custodial collections occur for interest, fines, and penalties. While these collections are considered custodial, they are not primary to the mission of SSA or material to the overall financial statements. SSA's total custodial revenues are $1 million for the year ended September 30, 2009.

Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2009
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (210)	$ (263)	$ 3,318	$ 4,412	$ 29	$ 0	$ 7,286
Investments	2,296,316	207,932	0	0	0	0	2,504,248
Interest Receivable, Net	26,843	2,539	0	0	0	0	29,382
Accounts Receivable, Net	1	1	0	0	3,744	(3,181)	565
Total Intragovernmental	2,322,950	210,209	3,318	4,412	3,773	(3,181)	2,541,481
Accounts Receivable, Net	2,253	3,175	5,429	0	11	(1,174)	9,694
Property, Plant, and Equipment, Net	0	0	0	0	2,455	0	2,455
Other	0	0	0	0	4	0	4
Total Assets	$ 2,325,203	$ 213,384	$ 8,747	$ 4,412	$ 6,243	$ (4,355)	$ 2,553,634
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,817	$ 493	$ 0	$ 0	$ 0	$ 0	$ 4,310
Accounts Payable	932	800	5,570	4,326	65	(3,181)	8,512
Other	0	0	161	2	123	0	286
Total Intragovernmental	4,749	1,293	5,731	4,328	188	(3,181)	13,108
Benefits Due and Payable	50,273	25,450	5,310	0	0	(1,174)	79,859
Accounts Payable	0	6	430	0	17	0	453
Other	0	0	326	2	1,061	0	1,389
Total Liabilities	55,022	26,749	11,797	4,330	1,266	(4,355)	94,809
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	58	0	0	58
Unexpended Appropriations-Other Funds	0	0	650	24	6	0	680
Cumulative Results of Operations-Earmarked Funds	2,270,181	186,635	36	0	0	0	2,456,852
Cumulative Results of Operations-Other Funds	0	0	(3,736)	0	4,971	0	1,235
Total Net Position	2,270,181	186,635	(3,050)	82	4,977	0	2,458,825
Total Liabilities and Net Position	$ 2,325,203	$ 213,384	$ 8,747	$ 4,412	$ 6,243	$ (4,355)	$ 2,553,634

Other Accompanying Information: Schedule of Net Cost for the Year Ended September 30, 2009
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 548,695	$ 0	$ 548,695
Operating Expenses	777	2,782	3,559
Total Cost of OASI Program	549,472	2,782	552,254
Less: Exchange Revenues	1	15	16
Net Cost of OASI Program	549,471	2,767	552,238
DI Program			
Benefit Payments	116,120	0	116,120
Operating Expenses	271	2,585	2,856
Total Cost of DI Program	116,391	2,585	118,976
Less: Exchange Revenues	26	14	40
Net Cost of DI Program	116,365	2,571	118,936
SSI Program			
Benefit Payments	42,114	0	42,114
Operating Expenses	132	3,354	3,486
Total Cost of SSI Program	42,246	3,354	45,600
Less: Exchange Revenues	329	18	347
Net Cost of SSI Program	41,917	3,336	45,253
Other			
Benefit Payments	9	0	9
Operating Expenses	13,084	2,138	15,222
Total Cost of Other Program	13,093	2,138	15,231
Less: Exchange Revenues	0	10	10
Net Cost of Other Program	13,093	2,128	15,221
Total Net Cost			
Benefit Payments	706,938	0	706,938
Operating Expenses	14,264	10,859	25,123
Total Cost	721,202	10,859	732,061
Less: Exchange Revenues	356	57	413
Total Net Cost	$ 720,846	$ 10,802	$ 731,648

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2009
(Dollars in Millions)

	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	$ 2,128,633	$ 196,648	$ 12	$ 0
All Other Funds	0	0	(3,150)	1,719
Beginning Balances Total	2,128,633	196,648	(3,138)	1,719
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	46,888
Other Adjustments				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	(15)
Appropriations Used				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	47,942	(47,942)
Tax Revenues-Earmarked Funds	571,185	97,001	0	
Interest Revenues-Earmarked Funds	107,673	10,557	0	
Transfers In/Out Without Reimbursement				
Earmarked Funds	16,156	(750)	(145)	
All Other Funds	0	0	(3,003)	
Railroad Retirement Interchange - Earmarked Funds	(4,009)	(501)	0	
Net Transfers In/Out				
Earmarked Funds	12,147	(1,251)	(145)	
All Other Funds	0	0	(3,003)	
Other Budgetary Financing Sources-				
Earmarked Funds	14	45	0	
Other Financing Sources (Non-Exchange)				
Transfers In/Out-All Other Funds	0	0	(3,309)	
Imputed Financing Sources-All Other Funds	0	0	31	
Other				
All Other Funds	0	0	(161)	
Total Financing Sources				
Earmarked Funds	691,019	106,352	(145)	0
All Other Funds	0	0	41,500	(1,069)
Net Cost of Operations				
Earmarked Funds	549,471	116,365	(169)	
All Other Funds	0	0	42,086	
Net Change				
Earmarked Funds	141,548	(10,013)	24	0
All Other Funds	0	0	(586)	(1,069)
Ending Balances				
Earmarked Funds	2,270,181	186,635	36	0
All Other Funds	0	0	(3,736)	650
Total All Funds	$ 2,270,181	$ 186,635	$ (3,700)	$ 650

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2009 (Continued)
(Dollars in Millions)

	Other		LAE		Consolidated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances						
Earmarked Funds	$ 0	$ 54	$ 0	$ 0	$ 2,325,293	$ 54
All Other Funds	0	0	3,571	5	421	1,724
Beginning Balances Total	0	54	3,571	5	2,325,714	1,778
Budgetary Financing Sources						
Appropriations Received						
Earmarked Funds	0	20,833	0	0	0	20,833
All Other Funds	0	14,903	0	30	0	61,821
Other Adjustments						
Earmarked Funds	0	(7)	0	0	0	(7)
All Other Funds	0	(671)	0	(1)	0	(687)
Appropriations Used						
Earmarked Funds	20,822	(20,822)	0	0	20,822	(20,822)
All Other Funds	14,208	(14,208)	28	(28)	62,178	(62,178)
Tax Revenues-Earmarked Funds	0	0	0		668,186	
Interest Revenues-Earmarked Funds	0	0	0		118,230	
Transfers In/Out Without Reimbursement						
Earmarked Funds	(20,822)	0	0		(5,561)	
All Other Funds	(1,115)	0	11,627		7,509	
Railroad Retirement Interchange - Earmarked Funds	0	0	0		(4,510)	
Net Transfers In/Out						
Earmarked Funds	(20,822)		0		(10,071)	
All Other Funds	(1,115)		11,627		7,509	
Other Budgetary Financing Sources-						
Earmarked Funds	0		0		59	
Other Financing Sources (Non-Exchange)						
Transfers In/Out-All Other Funds	3,309		0		0	
Imputed Financing Sources-All Other Funds	0		547		578	
Other						
All Other Funds	(3,309)		0		(3,470)	
Total Financing Sources						
Earmarked Funds	0	4	0	0	797,226	4
All Other Funds	13,093	24	12,202	1	66,795	(1,044)
Net Cost of Operations						
Earmarked Funds	0		0		665,667	
All Other Funds	13,093		10,802		65,981	
Net Change						
Earmarked Funds	0	4	0	0	131,559	4
All Other Funds	0	24	1,400	1	814	(1,044)
Ending Balances						
Earmarked Funds	0	58	0	0	2,456,852	58
All Other Funds	0	24	4,971	6	1,235	680
Total All Funds	$ 0	$ 82	$ 4,971	$ 6	$ 2,458,087	$ 738

Required Supplementary Information: Schedule of Budgetary Resources for the Year Ended September 30, 2009

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 2,105	$ 53	$ 702	$ 2,860
Recoveries of Prior Year Unpaid Obligations	4	9	263	1	213	490
Budget Authority						
Appropriations	697,494	119,646	47,033	35,736	30	899,939
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,166	5	62	4,233
Change in Receivable	0	0	(5)	0	(2)	(7)
Change in Unfilled Customer Orders						
Advance Received	0	0	(61)	0	5	(56)
Expenditure Transfers from Trust Funds	0	0	0	0	11,629	11,629
Subtotal	697,494	119,646	51,133	35,741	11,724	915,738
Nonexpenditure Transfers, Net	41	(3)	0	0	0	38
Temporarily Not Available Pursuant to Public Law	(141,431)	0	0	0	0	(141,431)
Permanently Not Available	(2)	(4)	(15)	(678)	(1)	(700)
Total Budgetary Resources	$ 556,106	$ 119,648	$ 53,486	$ 35,117	$ 12,638	$ 776,995
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 556,106	$ 119,648	$ 48,429	$ 35,030	$ 10,975	$ 770,188
Reimbursable	0	0	4,161	4	58	4,223
Subtotal	556,106	119,648	52,590	35,034	11,033	774,411
Unobligated Balances						
Apportioned	0	0	256	48	424	728
Unobligated Balances - Not Available	0	0	640	35	1,181	1,856
Total Status of Budgetary Resources	$ 556,106	$ 119,648	$ 53,486	$ 35,117	$ 12,638	$ 776,995
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 50,584	$ 25,263	$ 2,229	$ 6	$ 1,868	$ 79,950
Uncollected Customer Payments, Brought Forward, October 1	0	0	(5)	0	(2,517)	(2,522)
Total Unpaid Obligated Balance, Net	50,584	25,263	2,224	6	(649)	77,428
Obligations Incurred, Net	556,106	119,648	52,590	35,034	11,033	774,411
Gross Outlays	(551,664)	(118,113)	(52,350)	(34,094)	(10,522)	(766,743)
Recoveries of Prior Year Unpaid Obligations, Actual	(4)	(9)	(263)	(1)	(213)	(490)
Change in Uncollected Customer Payments	0	0	5	0	(1,226)	(1,221)
Obligated Balance, Net, End of Period						
Unpaid Obligations	55,022	26,789	2,206	945	2,166	87,128
Uncollected Customer Payments	0	0	0	0	(3,743)	(3,743)
Total Unpaid Obligated Balance, Net, End of Period	$ 55,022	$ 26,789	$ 2,206	$ 945	$ (1,577)	$ 83,385
Net Outlays						
Net Outlays						
Gross Outlays	$ 551,664	$ 118,113	$ 52,350	$ 34,094	$ 10,522	$ 766,743
Offsetting Collections	0	0	(4,104)	(4)	(10,467)	(14,575)
Distributed Offsetting Receipts	(18,998)	(1,918)	(329)	(3,309)	0	(24,554)
Net Outlays	$ 532,666	$ 116,195	$ 47,917	$ 30,781	$ 55	$ 727,614

REQUIRED SUPPLEMENTARY INFORMATION: SOCIAL INSURANCE

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 2008, OASDI benefits were paid to almost 51 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 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 retired-worker benefits it pays replaces a larger proportion of earned income for lower earners than for higher earners. 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 $75 billion as of September 30, 2009 ($69 billion as of September 30, 2008) 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. Virtually all of this amount was paid in October 2009. Also, an asset of $2,504 billion as of September 30, 2009 ($2,367 billion as of September 30, 2008) is recognized for the "investments in Treasury securities." These investments are referred to as the combined OASI and DI Trust Fund assets throughout the remainder of this Required Supplementary Information. 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 (see Investment Note 5).

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, 2009. 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 be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability 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.

Required Supplementary Information - While no liability has been recognized on the balance sheet for future obligations 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 scheduled OASDI benefits; interest income from Treasury securities held as assets of the OASI and DI 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 OASI and DI Trust Funds;
- **Cost:** scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **Cashflow:** either income excluding interest, or cost, depending on the context, expressed in nominal dollars;
- **Net cashflow:** income excluding interest less cost, expressed in nominal dollars;

- **Present value:** the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in the 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2009 Trustees Report) (see Note 17 to the Statement of Social Insurance). The Statement of Social Insurance and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

(1) actuarial present values of future estimated cost for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;

(2) estimated annual income (excluding interest) and cost in nominal dollars and as percentages of taxable payroll and GDP;

(3) the ratio of estimated covered workers to estimated beneficiaries; and

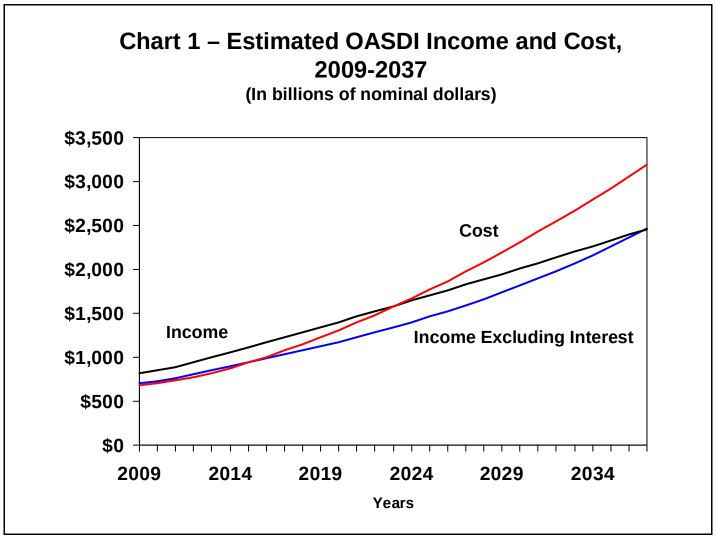
(4) an analysis of the sensitivity of the projections to changes in selected assumptions.

Sustainable Solvency - Based on the estimates of income and cost presented in the Statement of Social Insurance, the OASDI program would not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to be able to pay all scheduled benefits in full on a timely basis and maintain assets in the combined OASI and DI Trust Funds at all times within the 75-year projection period. In addition, the assets in the combined OASI and DI Trust Funds would need to be stable or rising as a percentage of annual program cost at the end of the period.

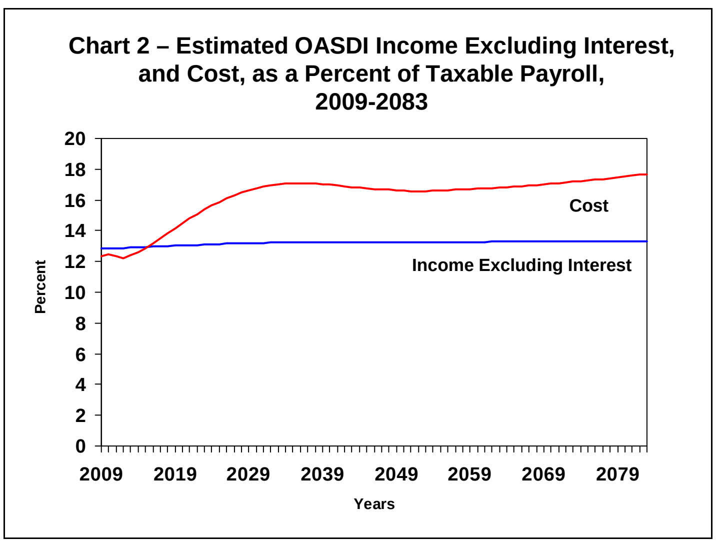
Cashflow Projections - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and cost for 2009-2037 in nominal dollars. These estimates are only displayed through 2037, the year that the combined OASI and DI Trust Funds are projected to become exhausted. At the point of such exhaustion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income. Thus, extension of this chart, which is intended to illustrate the tax revenue and interest accruals available to meet the cost of scheduled benefit obligations under the program, beyond the point of combined OASI and DI Trust Fund exhaustion, would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

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 cost for such workers and their dependents during that period.

As chart 1 shows, estimated cost starts to exceed income (including interest) in 2024. 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 lower 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 cost starts to exceed income excluding interest in 2016. At that time, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption will differ from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. 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 cost). Alternatively, the government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.



Percentage of Taxable Payroll - Chart 2 shows estimated annual income excluding interest and cost 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), and the 12.4 percent that is paid on taxable self-employment income. Prior to 2016, estimated annual cost is less than estimated annual income, excluding interest, whereas thereafter it is more. After 2016, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2030 and is rising at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 74 percent of the estimated cost.

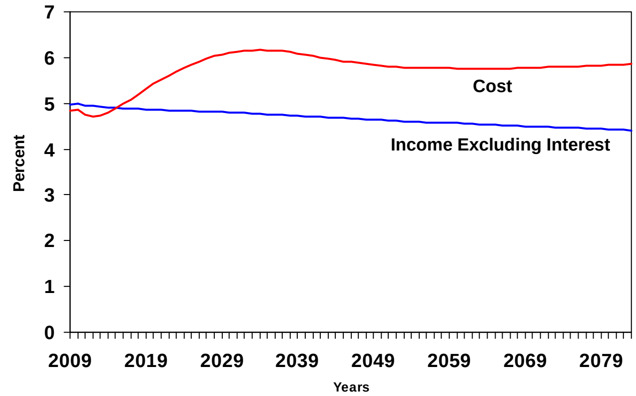


Actuarial Balance - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$7,677 billion. If augmented by the combined OASI and DI Trust Fund assets at the start of the period (January 1, 2009), it is -$5,258 billion. This excess does not equate to the actuarial balance in the Trustees Report of -2.00 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

One interpretation of this negative actuarial balance (-2.00 percent of taxable payroll) is that it represents the magnitude of the increase in the combined payroll tax rate for the entire 75-year period that would allow the combined trust funds to remain solvent throughout the period. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 2.01 percentage points in this rate for each year of the 75-year projection period (1.005 percentage points for employees and employers each, resulting in a total rate of 14.41 percent or a rate of 7.205 percent for each) is estimated to produce enough income to pay all benefits due under current law for that period. Alternatively, all benefits during this period could be reduced by about 13.3 percent on average (or there could be some combination of both tax increases and benefit reductions) to achieve the same effect.

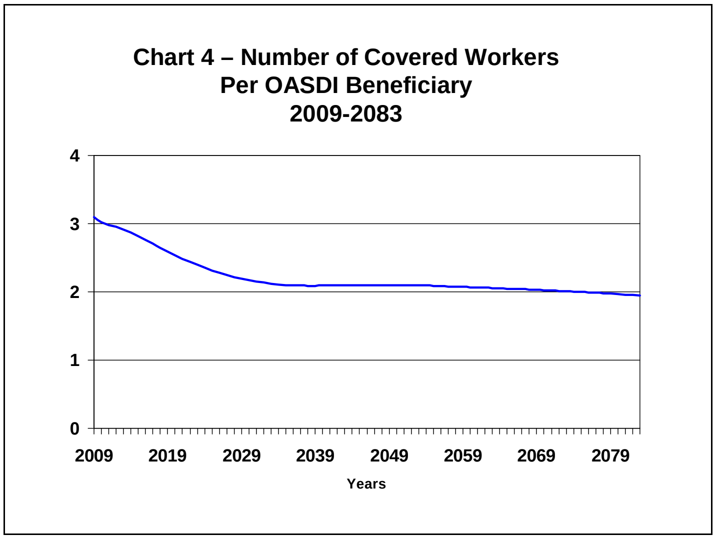
Percentage of Gross Domestic Product (GDP) - Chart 3 shows estimated annual income excluding interest and cost expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States,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

Chart 3 – Estimated OASDI Income Excluding Interest, and Cost, as a Percent of GDP, 2009-2083



In 2008, OASDI cost was about $625 billion, which was about 4.4 percent of GDP. The cost of the program (based on current law) rises rapidly to 6.1 percent of GDP in 2030, hits a peak of 6.2 percent of GDP in 2034, declines to a low of 5.8 percent in 2064, and then slowly increases, reaching 5.9 percent of GDP by 2083. The rapid increase from 2008 to 2030 will occur because baby boomers will become eligible for OASDI benefits, lower birth rates will result in fewer workers per beneficiary, and beneficiaries will continue to live longer.

Ratio of Workers to Beneficiaries - Chart 4 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 income from covered self-employment. The estimated number of workers per beneficiary will decline from 3.2 in 2008 to 2.0 in 2083.



SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. 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 cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because perfect 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, mortality, net immigration, real-wage differential, consumer price index, and real interest rate. The range of values chosen for the sensitivity analysis is intended to present a reasonable range within which future experience is generally expected to fall, on average over long time periods. The range of values is not intended to represent any particular probability interval around the intermediate assumptions.

For this analysis, the intermediate assumptions in the 2009 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2009, and are based on estimates of income and cost during the 75-year projection period 2009-2083. In this section, for brevity, “income” means “income excluding interest.”

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 cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. 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 annual net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today’s dollars. Because the calculation of present values is a discounting process, 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.

Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Report presents high-cost and low-cost alternative assumption sets which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees, in their annual report, also include estimates using a stochastic model developed by the Office of the Chief Actuary. These estimates provide an additional way of analyzing variability in assumptions, income, and cost.

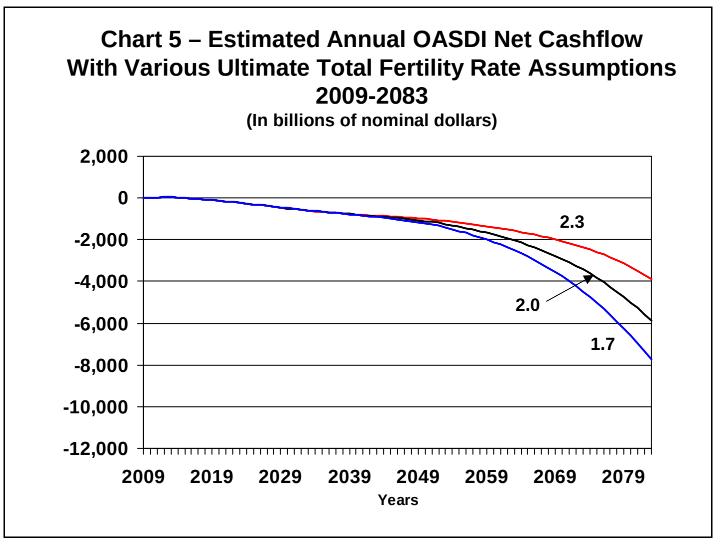
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the assumptions about the ultimate total fertility rate. These assumptions are 1.7, 2.0, and 2.3 children per woman, where 2.0 is the intermediate assumption in the 2009 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2033.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 2.0 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to cost would increase to $8,572 billion, from $7,677 billion; if the ultimate rate were changed to 2.3, the shortfall would decrease to $6,826 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Total Fertility Rate Assumptions
Valuation Period: 2009-2083

Ultimate Total Fertility Rate	1.7	2.0	2.3
Present Value of Estimated Excess (In billions)	-$8,572	-$7,677	-$6,826

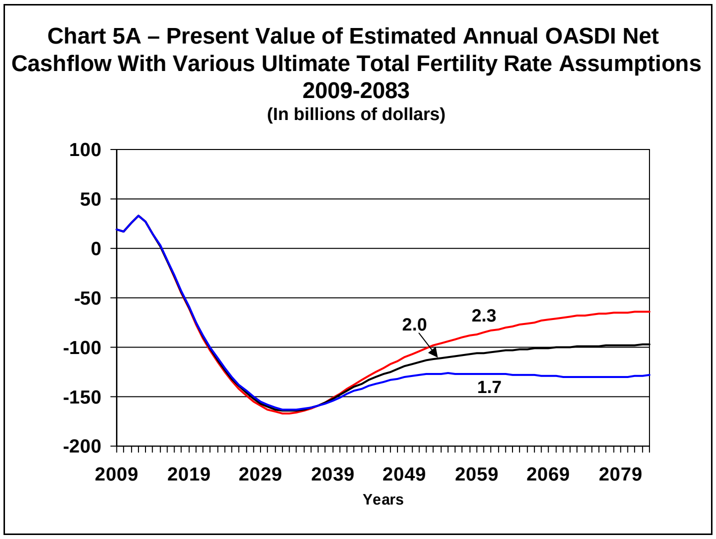
Charts 5 and 5A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 5 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After decreasing in 2010 and then increasing for the next two years, the net cashflow estimates decrease steadily through 2083. The net cashflow estimates corresponding to all three ultimate total fertility rates remain positive through 2015. All are increasingly negative thereafter. While the fertility rate would have a substantial effect for the next 75-year period as a whole, it would have only a minor effect for the first 28 years before the combined OASI and DI Trust Funds are projected to become depleted under each of these fertility assumptions.

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 2038 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from 2038 on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

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. After decreasing in 2010 and then increasing for the next two years, the present values decrease through 2033. They remain positive through 2015 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in 2034. For ultimate total fertility rates of 2.3 and 2.0, the present values of annual net cashflows continue to increase throughout the rest of the projection period, while for an ultimate assumed total fertility rate of 1.7, the present values are fairly stable after 2050. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) in 2034. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2034 than it would to cover the annual deficit in 2033.

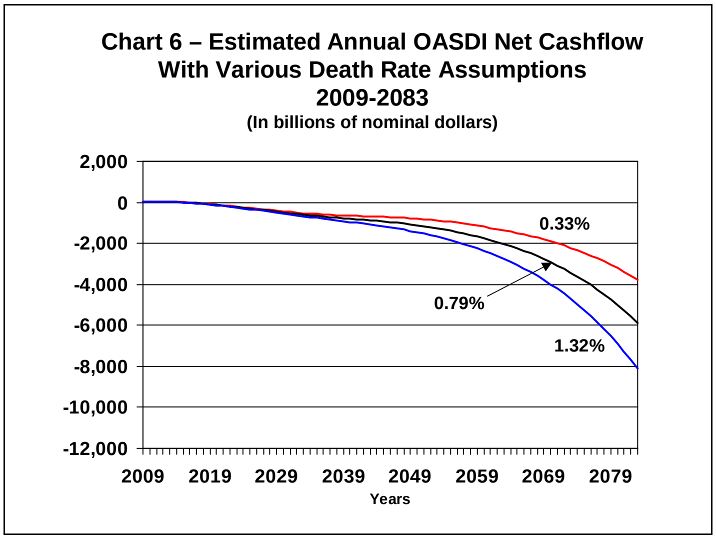
Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2008-2083 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.33, 0.79, and 1.32 percent per year, where 0.79 percent is the intermediate assumption in the 2009 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 22, 45, and 63 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.6 in 2008 to 80.8, 84.5, and 88.3 in 2083 for average annual reductions in the age-sex-adjusted death rate of 0.33, 0.79, and 1.32 percent, respectively.

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.79 percent, the Trustees' intermediate assumption, to 0.33 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $5,864 billion, from $7,677 billion; if the annual reduction were changed to 1.32 percent, meaning that people live longer, the shortfall would increase to $9,682 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2009-2083

Average Annual Reduction in Death Rates (from 2008 to 2083)	0.33 Percent	0.79 Percent	1.32 Percent
Present Value of Estimated Excess (In billions)	-$5,864	-$7,677	-$9,682

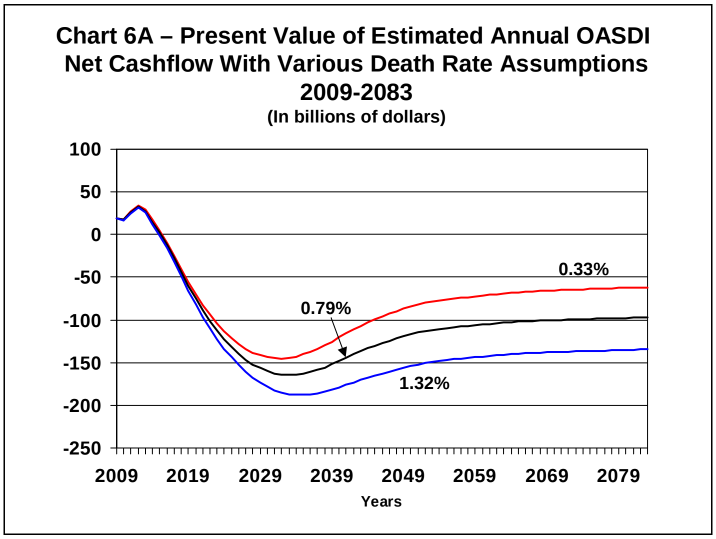
Charts 6 and 6A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 6 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 6 are similar. After decreasing in 2010 and then increasing for the next two years, the net cashflow estimates decrease steadily through 2083. The net cashflow estimates corresponding to a 0.33 percent and 0.79 percent average annual reduction in death rates remain positive through 2015, whereas the estimates corresponding to a 1.32 percent average annual reduction in death rates only remain positive through 2014. The annual net cashflow estimates for all three estimates are increasingly 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 cost, cost increases more than income. For any given year, reductions in death rates at the earliest 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). At young ages, 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 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. After decreasing in 2010 and then increasing for the next two years, the present values decrease rapidly until around 2030. The net cashflow estimates remain positive through 2015 under projected rates of mortality reduction of 0.33 and 0.79 percent, but only through 2014 under a projected rate of mortality reduction of 1.32 percent. Present values based on all three sets of assumptions begin to increase (become less negative) in the 2030's (2033, 2034, and 2036 for projected reductions of 0.33, 0.79, and 1.32 percent per year, 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, and continues to increase through 2083.

Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. Assumptions are made about the levels of legal immigration, legal emigration, other immigration, and other emigration. Based on these levels, it is projected that net annual immigration (legal and other) will average 785,000 persons, 1,065,000 persons, and 1,370,000 persons over the 75-year valuation period, where 1,065,000 persons is the average value based on the intermediate assumptions in the 2009 Trustees Report.

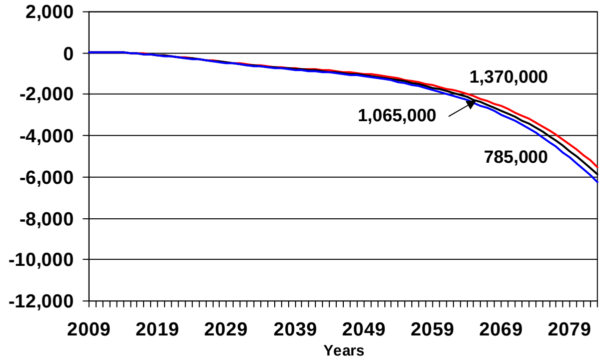
Table 3 demonstrates that, if the Trustees' intermediate immigration assumptions were changed so that the average level for the 75-year period decreased from 1,065,000 persons to 785,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $8,126 billion, from $7,677 billion. If instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,370,000 persons, the present value of the shortfall would decrease to $7,238 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2009-2083

75-Year Average Net Annual Immigration	785,000 Persons	1,065,000 Persons	1,370,000 Persons
Present Value of Estimated Excess (In billions)	-$8,126	-$7,677	-$7,238

Charts 7 and 7A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 7 shows the estimated annual OASDI net cashflow.

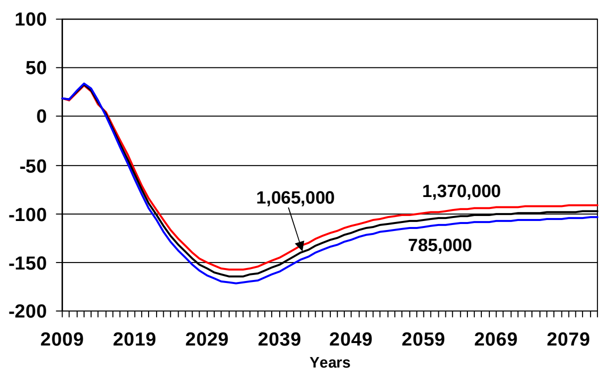
Chart 7 – Estimated Annual OASDI Net Cashflow With Various Net Annual Immigration Assumptions 2009-2083
(In billions of nominal dollars)



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 7 are similar. After decreasing in 2010, then increasing for the next two years, the net cashflow estimates decrease steadily through 2083. The net cashflow estimates remain positive through 2015 for all three assumed average annual net immigration levels. A consistent, but slight, difference is discernible after the first few years of the projection period among the estimates of net cashflow based on the three assumptions about average annual immigration.

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

Chart 7A – Present Value of Estimated Annual OASDI Net Cashflow With Various Net Annual Immigration Assumptions 2009-2083
(In billions of dollars)



The three patterns of the present values shown in Chart 7A are similar. After decreasing in 2010, then increasing for the next two years, the present values decrease through 2033. The net cashflow estimates remain positive through 2015 for all three assumed average net annual immigration levels, after which the present values are negative. Present values based on all three assumptions about net annual immigration increase (are less negative) from 2034 through the end of the projection period.

Very little difference is discernible in the early years among the estimates of present values of net annual cashflow based on the three sets of assumptions about annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, the present values, year by year, are generally higher (less negative in later years) for higher net annual immigration. However, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Thus, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

Real-Wage Differential - 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). Table 4 shows the present values of the estimated excess of OASDI income over cost 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, 1.1, and 1.7 percentage points, where 1.1 percentage point is the intermediate assumption in the 2009 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.8 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.3, 3.9, and 4.5 percent, respectively.

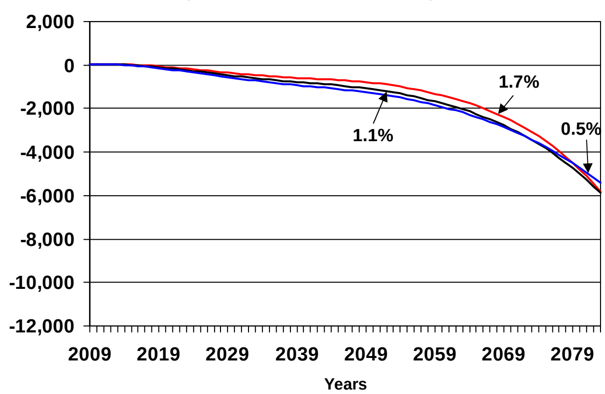
Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.1 percentage point, the Trustees' intermediate assumption, to 0.5 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $8,873 billion from $7,677 billion; if the ultimate real-wage differential were changed from 1.1 to 1.7 percentage points, the shortfall would decrease to $5,914 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real-Wage Assumptions
Valuation Period: 2009-2083

Ultimate Annual Increase in Wages, CPI; **Real Wage Differential**	3.3% , 2.8%; **0.5%**	3.9% , 2.8%; **1.1%**	4.5% , 2.8%; **1.7%**
Present Value of Estimated Excess (In billions)	-$8,873	-$7,677	-$5,914

Charts 8 and 8A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 8 shows the estimated annual OASDI net cashflow.

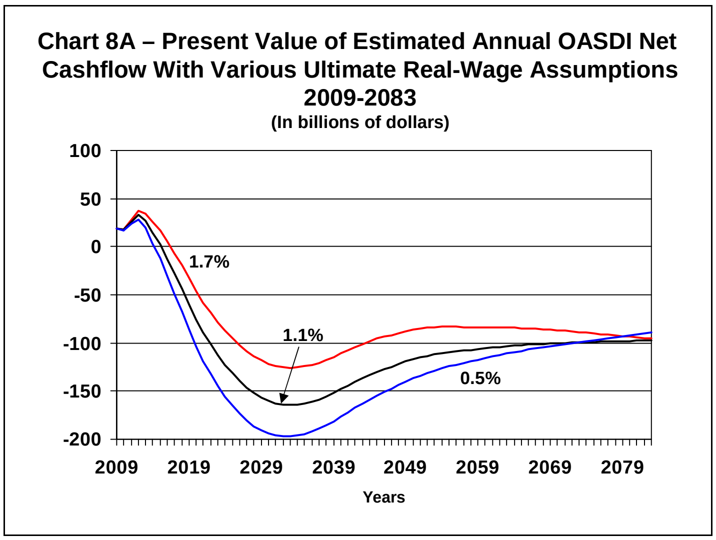
Chart 8 – Estimated Annual OASDI Net Cashflow
With Various Ultimate Real-Wage Assumptions
2009-2083
(In billions of nominal dollars)



The three patterns of estimated net annual OASDI cashflow shown in Chart 8 generally increase in the first three years, and then decrease steadily thereafter. Estimated net cashflow remains positive through 2014, 2015, and 2016 for assumed ultimate real-wage differentials of 0.5, 1.1, and 1.7 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 for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, toward the end of projection period, annual net cashflow becomes lower (more negative) for higher assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds income excluding interest. These effects are depicted by the patterns in Chart 8A crossing during the later years of the projection period.

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



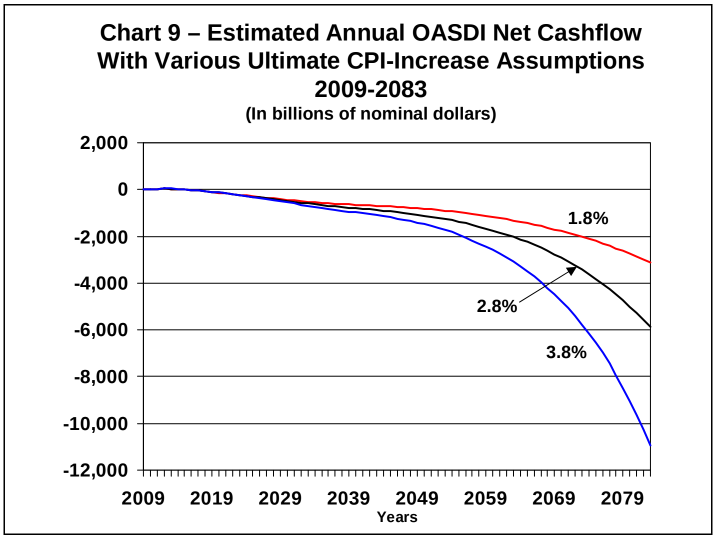
After decreasing in 2010 and then increasing for the next two years, the present values shown in Chart 8A decrease through 2033. The net cashflow estimates remain positive through 2014, 2015, and 2016 for assumed ultimate real-wage differentials of 0.5, 1.1, and 1.7 percentage points, respectively, and 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. For the assumed real-wage differential of 1.7 percentage points, the present values continue increasing until 2056 when decreases begin again. The present values for the other two assumptions continue increasing throughout the remaining projection period. The crossover of the patterns that occurs during the later years of the projection period in Chart 8 is also evident in the present value patterns.

Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost 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 1.8, 2.8, and 3.8 percent, where 2.8 percent is the intermediate assumption in the 2009 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.1 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 2.9, 3.9, and 4.9 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 2.8 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $8,161 billion, from $7,677 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to $7,189 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--is explained below.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate CPI-Increase Assumptions Valuation Period: 2009-2083			
Ultimate Annual Increase in Wages, **CPI**; Real Wage Differential	2.9% , **1.8%**; 1.1%	3.9% , **2.8%**; 1.1%	4.9% , **3.8%**; 1.1%
Present Value of Estimated Excess (In billions)	-$8,161	-$7,677	-$7,189

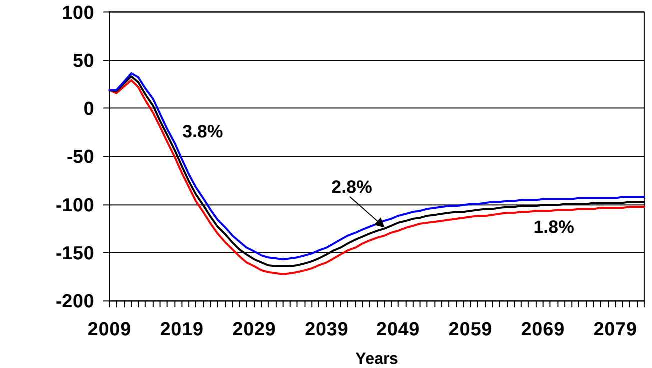
Charts 9 and 9A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 9 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are similar. After generally increasing in the first three years, the net cashflow estimates decrease steadily through 2083. Annual net cashflow remains positive through 2015 for assumed ultimate annual increases in the CPI of 2.8 percent and 3.8 percent; and through 2014 for an assumed ultimate annual increase in the CPI of 1.8 percent. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher benefits based on these higher wages. 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 cost in nominal dollars.

Larger increases in the CPI cause earnings and income to increase sooner, and thus by more in each year, than benefits and cost. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Initially (through 2021) the larger percentage increase in CPI results in a larger nominal-dollar increase in income, so net cashflow is increased for higher inflation in Chart 9. However, shortly after 2021, the lines in Chart 9 cross, indicating that net cashflow becomes lower (more negative) for higher assumed increases in the CPI. This occurs because program income begins to fall well below program cost, and thus the larger percentage increases in CPI eventually produce smaller nominal-dollar increases in income than in program cost.

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. After decreasing in 2010 and then increasing for the next two years, the present values decrease through 2033. Annual cashflows remain positive through 2015 (2014 for an assumed ultimate annual increase in the CPI of 1.8 percent) and are negative thereafter. Present values begin to increase (become less negative) in 2034 for all three assumptions. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time, and continue to increase through 2083.

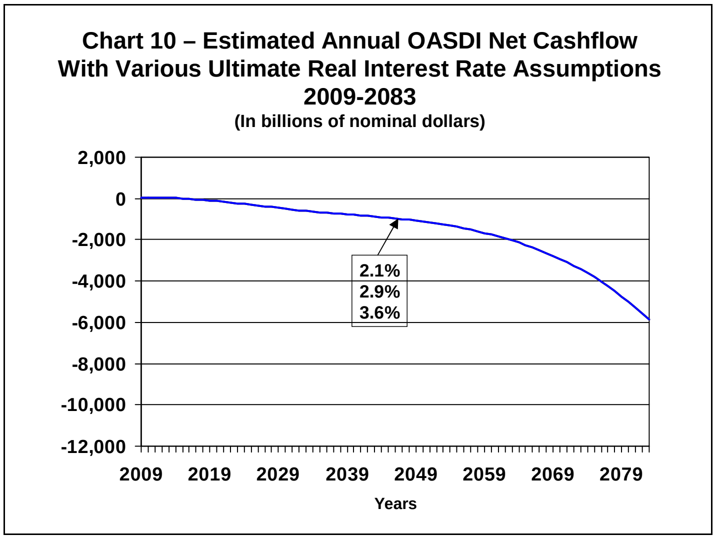
The magnitudes of the present values in Chart 9A are lower, year by year, than the amounts in Chart 9 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all 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 9.

Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.1, 2.9, and 3.6 percent, where 2.9 percent is the intermediate assumption in the 2009 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 2.9 percent, the Trustees' intermediate assumption, to 2.1 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms, would increase to $10,249 billion, from $7,677 billion; if the ultimate annual real interest rate were changed to 3.6 percent, the present-value shortfall would decrease to $6,067 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Interest Assumptions Valuation Period: 2009-2083			
Ultimate Annual Real Interest Rate	2.1 Percent	2.9 Percent	3.6 Percent
Present Value of Estimated Excess (In billions)	-$10,249	-$7,677	-$6,067

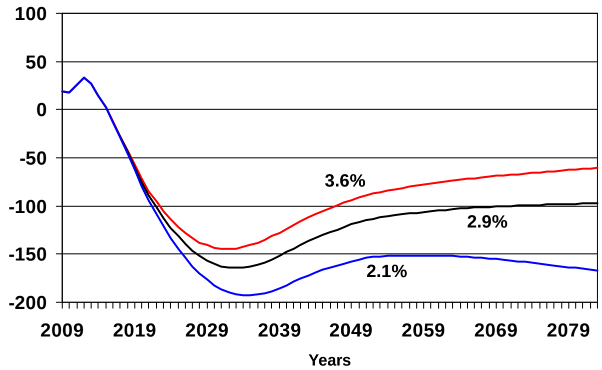
Charts 10 and 10A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 10 shows the estimated annual OASDI net cashflow.



The three patterns of estimated annual OASDI net cashflow (which does not include interest) shown in Chart 10 are identical, because interest rates do not affect cashflow. After decreasing in 2010 and then increasing for the next two years, the present values decrease steadily through 2083. Annual cashflows remain positive through 2015 and are negative thereafter.

Chart 10A shows the present value of the estimated annual OASDI net cashflow.

Chart 10A – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate Real Interest Rate Assumptions 2009-2083
(In billions of dollars)



The three patterns of the present values shown in Chart 10A are similar. After decreasing in 2010, then increasing for the next two years, the present values decrease rapidly until around 2030. Annual cashflows remain positive through 2015 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2036, 2034, and 2033 for assumed ultimate real interest rates of 2.1, 2.9, and 3.6 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. For the assumed real interest rate of 2.1 percent, the present values continue increasing through 2056, then decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

Although not observable, Chart 10A includes a crossover in the patterns of the present values of the net cashflow. The crossover occurs the year prior to the net cashflow change from positive to negative, which happens in 2016. 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.

AUDITOR'S REPORTS

SOCIAL SECURITY

November 9, 2009

The Honorable Michael J. Astrue
Commissioner

This letter transmits the *Independent Auditor's Report* on the audit of the Social Security Administration's (SSA) Fiscal Year (FY) 2009 financial statements. The Report includes the Office of the Inspector General's (OIG) *Opinion on the Financial Statements, Report on Management's Assertion About the Effectiveness of Internal Control,* and *Report on Compliance and Other Matters.*

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.

The OIG's audit was conducted in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. The audit included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as considered necessary under the circumstances. Because of inherent limitations in any internal control, misstatements because of error 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 program. In our opinion, individuals outside the organization perpetrate most of the fraud against SSA.

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 that SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, audit SSA's financial statements in accordance with applicable standards. For comparative purposes, under a contract monitored by the OIG, PricewaterhouseCoopers LLP (PwC), an independent certified public accounting firm, audited SSA's FY 2008 statements and issued an unqualified opinion on those statements. The OIG audited SSA's FY 2009 financial statements and OIG issued an unqualified opinion on those financial statements. The OIG also reported that SSA's assertion that its internal control over financial reporting was operating effectively as of September 30, 2009 was fairly stated, in all material respects, based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*.

The OIG did identify a significant deficiency related to protecting information. In general, SSA needs to establish and implement a policy to periodically reassess the content of security access rights to ensure that employees and contractors are given least privilege access to perform their job.

The OIG identified no reportable instances of noncompliance with the laws, regulations, or other matters tested.

Patrick P. O'Carroll, Jr.
Inspector General

OFFICE OF THE INSPECTOR GENERAL
INDEPENDENT AUDITOR'S REPORT

November 9, 2009

The Honorable Michael J. Astrue
Commissioner

In accordance with the *Chief Financial Officers (CFO) Act of 1990* (Public Law 101-576), as amended, we are responsible for conducting the financial statement audit of the Social Security Administration (SSA). In our audit of SSA for Fiscal Year 2009, we found the following.

The consolidated balance sheets of SSA as of September 30, 2009 and 2008 and the related consolidated statements of net cost and of changes in net position and the combined statements of budgetary resources for the years then ended and the statement of social insurance as of January 1, 2009, 2008, 2007, and 2006 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Management fairly stated that SSA's internal control over financial reporting was operating effectively as of September 30, 2009.

SSA's financial management systems substantially complied with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA).

No reportable instances of noncompliance with laws, regulations, or other matters tested.

The following sections discuss in more detail (1) these conclusions; (2) our conclusions on Management's Discussion and Analysis and other supplementary information; (3) our audit objectives, scope, and methodology; and (4) Agency comments and our evaluation.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2009, and the related consolidated statements of net cost and of changes in net position, and the combined statement of budgetary resources for the year then ended and the statement of social insurance as of January 1, 2009. 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.

The consolidated balance sheets of SSA as of September 30, 2008, and the related consolidated statements of net cost and of changes in net position, and the combined budgetary resources for the year ended, and the statement of social insurance as of January 1, 2008, 2007, and 2006 were audited by other auditors whose report dated November 7, 2008 expressed an unqualified opinion on those statements. Their report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts as of and for the year ended September 30, 2008, is based solely on the report of the other auditors.

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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to

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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 audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the prior year audit reports of other auditors, the financial statements referred to above and appearing on pages 92 through 123 of this *Performance and Accountability Report* (PAR), present fairly, in all material respects, the financial position of SSA as of September 30, 2009 and 2008, and its net cost of operations, changes in net position, budgetary resources for the years then ended, and the financial condition of its social insurance program as of January 1, 2009, January 1, 2008, January 1, 2007, and January 1, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of SSA taken as a whole. The additional information presented on the statement of social insurance as of January 1, 2009, January 1, 2008, January 1, 2007, and January 1, 2006 is not a required part of the financial statements and is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated and combined financial statements taken as a whole.

As discussed in Note 17 to the financial statements, the statements of social insurance present the actuarial present value of SSA's estimated future income to be received from, or on behalf of, the participants and estimated future expenditures to be paid to, or on behalf of, participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statements of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statements of social insurance and the actual results, and those differences may be material.

REPORT ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have also examined management's assertion, included in the accompanying *Federal Managers' Financial Integrity Act* (FMFIA) Assurance Statement on page 41 of this PAR that SSA's internal control over financial reporting was operating effectively as of September 30, 2009 based on criteria established under OMB Circular A-123, *Management's Responsibility for Internal Control*. We did not test all internal controls relevant to the operating objectives broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to preparing statistical reports and ensuring efficient operations. SSA's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on management's assertion 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. 07-04 and, accordingly, included obtaining an understanding of the internal control, 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.

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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 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 internal control over financial reporting was operating effectively as of September 30, 2009, is fairly stated, in all material respects, based on criteria established under OMB Circular A-123.

However, our work identified the need to improve certain internal controls, as described below and in a separate, limited-distribution management letter. As defined by OMB Bulletin No. 07-04 (updated via M-08-24), a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. This material weakness definition aligns with the same material weakness definition used by management to prepare the Agency's FMFIA assurance statement. This deficiency in internal control, although not considered to be a material weakness, represents a significant deficiency.

Significant Deficiency

SSA Needs to Further Strengthen Controls to Protect Its Information

Since FY 2005, the Agency has made significant progress in identifying and establishing a baseline for security access or "profiles" to their financially significant mainframe applications, security administration tools, and operating systems. However, we note the need for continued progress regarding the process to periodically re-certify this security access. Testing disclosed that a policy and procedure had not been established and consistently implemented across the Agency to periodically reassess the content of security access to ensure that employees and contractors are given least privilege access to perform their job responsibilities. During the audit, SSA management was unable to consistently provide documented evidence that security accesses were reviewed by management to determine that the system datasets, transactions, and resources for mainframe hosted applications, including financially significant systems and related tools, were in-line with the concept of least privilege.

Specific disclosure of detailed information about these exposures might further compromise controls and are therefore not provided within this report. Rather, the specific details of weaknesses noted are presented in a separate, limited-distribution management letter.

The need for a strong security program to address threats to the security and integrity of SSA operations grows and transforms as the Agency continues to progress with plans to increase dependence on the Internet and Web-based applications to serve the American public. Clear, continued, and measurable progress has been made toward the establishment of a strong overall security program. However, to more fully protect SSA from risks associated with the loss of data, loss of other resources, or compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs, SSA management must further strengthen its security program. Specifically, further progress is needed in the area of access assignments to application systems data and programs by SSA personnel, including the continual review of systems access via the periodic review of the content of profiles.

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Recommendations

We recommend that SSA management implement a policy that requires a periodic review of the content of the Agency's profiles. The scope of the policy should include profiles that are Agencywide and those locally owned by divisions and/or components. The process should allow for and enforce a consistent approach for review and should require auditable artifacts to evidence the completion of these reviews. More specific recommendations focused on the individual exposures we identified are included in a separate, limited-distribution management letter.

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

REPORT ON COMPLIANCE AND OTHER MATTERS

SSA management is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the compliance with laws and regulations including laws governing the use of budgetary authority, Government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04 and other laws and regulations, noncompliance with which could have a direct and material effect on the financial statements. Under FFMIA, we are required to report whether SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA, section 803(a), requirements.

We did not test compliance with all laws and regulations applicable to SSA. We limited our tests of compliance to the provisions of laws and regulations cited in the preceding paragraph of this report. Providing an opinion on compliance with those provisions was not an objective of our audit 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 or other matters that are required to be reported by *Government Auditing Standards* or OMB Bulletin No. 07-04 and no instances of substantial noncompliance that are required to be reported under FFMIA.

CONSISTENCY OF OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 5 through 44, and Required Supplementary Information (RSI) included on pages 1 and 124 through 144 of this PAR are not a required part of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular No. A-136, *Financial Reporting Requirements.* We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. We compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with SSA officials. On the basis of this limited work, we found no material inconsistencies with the financial statements; U.S. generally accepted accounting principles, or OMB guidance. 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 financial statements of SSA taken as a whole. The Schedule of Budgetary Resources, included on page 128 of this PAR, is not a required part of the financial statements but is supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. This information and the consolidating and combining information included on pages 124 to 127 of

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this PAR are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The other accompanying information included on pages 2 through 4, 44 through 91, 145, 146, and 155 to the end of this PAR, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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This report is intended solely for the information and use of management and the Inspector General of SSA, OMB, the Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Steven L. Schaeffer, C.P.A.
Assistant Inspector General for Audit

SOCIAL SECURITY

The Commissioner

October 30, 2009

Patrick P. O'Carroll, Jr
Inspector General
Social Security Administration
300 Altmeyer Building
6401 Security Blvd
Baltimore, MD 21235

Dear Mr. O'Carroll:

We have reviewed the draft Independent Auditor's Report concerning your audit of our fiscal year 2009 financial statements. We are extremely pleased that we received our 16th consecutive unqualified opinion on our financial statements, an unqualified opinion on management's assertion that our internal controls were operating effectively, and that there were no reportable instances of noncompliance with laws or regulations.

Your report did identify a significant deficiency regarding the need to improve certain internal controls. We concur with this finding, and will implement the necessary corrective actions to strengthen our internal controls. We have enclosed a more detailed explanation of our plans.

If members of your staff have any questions, they may contact Ronald Sayers at (410) 965-3403.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Comments of the Social Security Administration (SSA) on the SSA Inspector General's Draft Independent Auditor's Report

General Comments

Thank you for the opportunity to comment on the draft Independent Auditor's Report concerning your audit of our fiscal year 2009 financial statements.

We are pleased that your report indicated our internal control over financial reporting was operating effectively. As you recognized in your report, the agency has made clear and measurable progress toward establishing a strong overall security program. The report did note the need for additional improvements over certain internal controls and contained a related recommendation.

This report confirms that we continue to maintain excellent security over our information systems environment. For example, over the last year we have completed a review of accounts for all users of our information systems. We agree that work remains, but we also believe that we have made significant progress in our review of security profiles and their content. As you recommended, we will continue to strengthen our security controls.

We will continue to work with you to improve the overall effectiveness of our security controls, and offer the following comments regarding progress that has already been made.

Recommendation

We recommend that SSA management implement a policy which requires a periodic review of the content of the agency's profiles. The scope of the policy should include profiles which are agencywide and those locally owned by divisions and/or components. The process should allow for and enforce consistent approach for review and should require auditable artifacts to evidence the completion of these reviews.

SSA Comment

We will continue to improve our Triennial Certification program to ensure user accounts are consistently reviewed. We will also improve our Standardized Security Profile Project (SSPP) program to ensure access is properly assigned. As you recognized in your report, we have "made significant progress to identify and establish a baseline for security access or "profiles" to their financially significant mainframe applications, security administration tools, and operating system access." In 2009, we completed the second triennial review of user accounts. We also introduced an automated tool to manage the 2009 reviews, developed procedures and trained managers. We agree that the Triennial Certification process can be improved and will continue our efforts to ensure that accounts provide only the minimum access necessary.

Since 2002, we have made progress implementing SSPP to ensure the security principles of "least privilege" and "need to know" are met for granting access to our Information Technology (IT) resources. We have established a process to create and grant access to standardized security profiles, periodically review the access to these profiles, and bring existing profiles under the SSPP process. In our Office of Systems, we accelerated the completion of our profile reviews from September 2010 to September 2009.

We agree that the SSPP process must be redesigned to ensure that access to the underlying IT resources is in-line with the concept of least privilege. Some components have put best practices in place to conduct their reviews. These practices as well as other best practices and tools need to be consistently applied agencywide. We will continue to improve the SSPP program by implementing consistent policy and procedures for reviewing the content of our security profiles. We will establish a governance process applicable to all agencywide and local security profiles that supports and documents the completion of profile reviews. Finally, our Executive Internal Control Committee will continue to monitor the status of corrective actions for this deficiency to ensure completion as fast as resources permit.

SOCIAL SECURITY ADMINISTRATION

OTHER ACCOMPANYING INFORMATION

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 6, 2009

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The Reports Consolidation Act of 2000 (RCA) (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. RCA requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual Performance and Accountability Report.

In FY 2009, we continued our focus on the management and performance challenges from previous years. Those challenges are listed below.

- Social Security Number Protection
- Management of the Disability Process
- Improper Payments and Recovery of Overpayments
- Internal Control Environment and Performance Measures
- Systems Security and Critical Infrastructure Protection
- Service Delivery and Electronic Government

As the FY progressed, the environment in which SSA operated, and its corresponding challenges, shifted. For example, SSA issued a new strategic plan that identified its current challenges. In addition, SSA was provided new funding and accountability requirements under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, we reevaluated the top management and performance challenges facing the Agency and developed a new list of eight challenges.

- Implement ARRA Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

Many of the issues highlighted in our previous list of management challenges are addressed in our new list. For example, the disability process, Social Security number protection, improper payments, customer service, and information technology infrastructure are recurring themes. They continue to be on our list since we believe they continue to be challenges for SSA. However, these management challenges have been renamed in a manner we believe better defines the action needed for improved performance in these areas.

Our updated list also includes some new challenges. For example, ARRA created new and critical workloads for the Agency, such as a one-time recovery payment of $250 to SSA beneficiaries. Paying millions of individuals accurately is a challenge on its own. This is compounded by the additional challenge of completing this new task while simultaneously addressing the Agency's many other workloads. Also, the President has emphasized the need for transparency and accountability in the Government. The Administration is developing an Open Government Directive that will instruct executive departments and agencies to take specific actions toward bringing greater openness in Government, and the Agency will need to adhere to the Directive once it is released.

Further, we have highlighted a management challenge related to the hearings backlog. We have discussed this challenge in previous years but as part of the overall disability workload, not as a separate challenge. Given the magnitude of the hearings backlog, and the plans the Agency has put in place to address this workload, we believe it is appropriate to have a separate management challenge.

My office will continue to focus on these issues in FY 2010. We will also continue to assess SSA's operations and the environment in which it operates to ensure our reviews focus on the most salient issues facing the Agency.

I congratulate you on the progress made in FY 2009 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2009 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

A-02-09-19175

November 2009

IMPLEMENT THE *AMERICAN RECOVERY AND REINVESTMENT ACT* EFFECTIVELY AND EFFICIENTLY

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5). The Social Security Administration (SSA) was provided funds under ARRA to address three major efforts.

- $500 million was designated to replace SSA's National Computer Center (NCC).
- $500 million was designated to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.
- $90 million was designated to reimburse costs for processing a one-time economic recovery payment (ERP) of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments.

In the Office of Management and Budget's (OMB) initial implementing guidance for ARRA (OMB M-09-10), the following requirements were established to meet crucial accountability objectives.

- Funds are awarded and distributed promptly, fairly, and reasonably.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and timely.
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under ARRA avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

We believe the replacement of the NCC and having the systems capacity needed to meet its workload are challenges for the Agency. In our May 2009 report*, The Social Security Administration's Ability to Address Future Processing Requirements,* we asked the Agency to focus its efforts related to the new NCC on detailed plans (1) to acquire, construct and operate a new Data Center; (2) to estimate costs for the use and/or disposal of the existing NCC; and (3) for IT requirements for the next 5, 10, and 20 years. Further, SSA should identify the underlying factors that allowed the existing NCC to deteriorate to its current condition and implement the necessary controls to prevent this situation from recurring at the new NCC.

Another challenge faced by SSA was to assist in providing one-time ERPs of $250 to certain adult Old-Age, Survivors and Disability Insurance (OASDI) and SSI recipients. SSA was required to certify which beneficiaries were entitled to the ERPs. SSA had to ensure the beneficiaries met a number of criteria, including that they resided in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands. Also, to be eligible for the one-time payments, the beneficiaries had to be eligible for benefits for any of the 3 months before the month of enactment (that is, November 2008, December 2008, and January 2009). If individuals received both OASDI and SSI, they would receive only one $250 payment. In addition, SSA had to process its unique payments, prepare payment files for the Department of the Treasury (Treasury), annotate payments to its program files, and prepare beneficiary notices. Lastly, SSA was responsible for any post-certification actions (for example, non-receipt reports, returned payments, and stop-payment actions) for the ERPs issued to its beneficiaries.

SSA received $90 million to be used for the costs associated with administering the ERPs. One of the challenges identified by SSA was to properly account for the use of the $90 million in ARRA funding to cover the administrative costs involved in identifying, notifying, and issuing the ERPs to eligible individuals.

SSA Has Taken Steps to Address This Challenge

In response to ARRA and OMB Guidance, SSA developed an ARRA Risk Management Plan. The Plan outlined the major challenges and risk mitigation activities facing SSA in implementing the requirements of ARRA. The challenges fell into five major categories: Overall Recovery Act Implementation, One-Time ERP Administrative Expenses, One-Time ERP Payments, Disability and Retirement Workloads, and Replacement of the NCC. The major challenges are further defined by challenges specific to each. For example, SSA has identified the following challenges for replacement of the NCC.

- Ensure proper overall project management.
- Ensure proper site selection, a proper facility, and infrastructure construction oversight.
- Ensure IT investments support SSA's strategic IT vision and plan.
- Ensure the facility complies with the *National Environmental Policy Act*.

SSA has developed risk mitigation activities to address each of the identified challenges and has begun to implement them.

SSA has made considerable progress toward meeting its challenge of administering the ERPs mandated under ARRA. It facilitated the issuance of ERPs to more than 50 million eligible individuals in May 2009, which injected about $13 billion into the economy. SSA certified these payments to facilitate Treasury's disbursement within 120 days after the legislation was enacted on February 17, 2009. We found SSA had taken significant actions to properly identify eligible beneficiaries and develop the necessary systems and policy changes to ensure payments were disbursed in accordance with ARRA. In addition, SSA's planned controls and procedures should have reduced the significant risk of improper payments or fraud, waste, and abuse.

On May 7, 2009, Treasury began disbursing the economic recovery payments to eligible beneficiaries—about 5 weeks before the statutory deadline. Before this, SSA completed a number of actions, including (1) sending notices to about 52.2 million eligible beneficiaries; (2) adding a Webpage on its Internet site containing a video about the payment and 34 frequently asked questions; and (3) developing a new national 800-number network message that explained the ERP to callers. However, we identified a number of matters SSA needed to address related to the ERPs. For example, SSA's system to identify, select, and certify the ERPs to Treasury and its related policies and procedures to administer these payments had not been fully developed, tested, or documented when SSA began disbursing ERPs. Also, while SSA took many steps related to the disbursement of ERPs, a small number of the payments were sent erroneously to deceased and imprisoned individuals.

In reference to SSA's challenge to properly account for the $90 million provided to administer the one-time ERP, we found SSA implemented a comprehensive process to identify and report costs incurred to administer the ERPs. We believe SSA sufficiently addressed OMB's requirements, which allowed for transparency and accountability in the use of ARRA administrative funds and provided SSA the ability to identify and track the expenditures separately from its regular appropriations. SSA also timely submitted required weekly reports summarizing administrative costs it incurred.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level continues to increase—from 293 days at the end of Fiscal Year (FY) 2001 to 491 days at the end of FY 2009. Additionally, the pending hearings workload grew to 722,822 cases by the end of 2009—up from 392,387 cases at the end of FY 2001.

The first strategic goal in SSA's Strategic Plan for FYs 2008-2013 is to reduce the number of pending hearings to 466,000 by FY 2013, a level that will ensure a sufficient number of cases is available for hearings while reducing the average processing time to 270 days. While the number of hearings pending has grown greatly over this decade, it decreased in FY 2009 from approximately 761,000 at the beginning of the FY to almost 723,000 by the end of the FY.

While eliminating the hearings backlog was SSA's primary focus in FY 2009, it became more difficult with an increase in hearing requests. In FY 2009, SSA received over 622,000 hearing requests—an increase of over 33,000 requests from FY 2008. According to the Agency, this is the highest annual total SSA has ever received. ARRA provided SSA $500 million to process increasing retirement and disability workloads. The Office of Disability Adjudication and Review (ODAR) was allocated a portion of the ARRA funds to hire additional staff in FYs 2009 and 2010.

Our July 2009 review, Office of Disability Adjudication and Review Management Information, determined that if SSA follows its current administrative law judge (ALJ) hiring plan and the current average ALJ productivity level remains constant, ODAR's pending level should fall below the desired pending level by FY 2013. However, we completed this report before SSA estimated it could receive an additional 350,000 disability applications in FY 2010. Since a number of these applications will be denied and eventually appealed, the Agency will need to adjust its backlog reduction plans to ensure it accounts for this increase in workload.

SSA Has Taken Steps to Address This Challenge

Since May 2007, SSA has been implementing a plan to eliminate the backlog of hearing requests and prevent its recurrence. The plan includes initiatives for (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes.

Compassionate Allowances - The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where a disease or condition is so consistently devastating that SSA can presume a claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process covering 50 rare diseases and cancers.

Improve Hearing Office Procedures - Reducing aged cases is one of the two initiatives SSA has in place to improve hearing office procedures, the second being adjudication of cases by Senior Attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, cases 900 days or older in FY 2008, and cases 850 days or older in FY 2009. This initiative has refocused the hearings process on ensuring the oldest cases are processed first. At the end of FY 2009, less than 1 percent of hearings pending was 850 days or older. Under the Senior Attorney program, staff other than ALJs issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. In FY 2009, SSA reported the Senior Attorneys issued 36,366 decisions.

Our September 2009 review of Aged Claims at the Hearing Level found ODAR's aged claim initiative had successfully targeted the oldest pending claims and focused hearing offices' efforts on this workload. Moreover, the related initiatives, including realignment of service areas, case transfers, video hearings, and the National Hearing Centers, assisted ODAR in processing the aged case backlog. We also noted that the aged cases had built up over time because of (1) a lack of resources, (2) conflicting workload priorities, and (3) lost or time-consuming claims.

Overall, we found sustained leadership and focus, clear workload milestones, flexibility in moving workloads between offices, and use of management information reports has allowed ODAR to reduce aged claims and return to its earlier policy of hearing the oldest claims first.

Increase Adjudicatory Capacity - SSA has six initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, $30 million in ARRA funds was allocated to ODAR. This, in addition to the increased FY 2009 SSA appropriation, allowed SSA to hire 148 ALJs and 1,009 support staff in hearing offices in FY 2009 as well as fund additional overtime. We have ongoing work in this area.

Increase Efficiency with Automation and Improved Business Process - SSA has 27 initiatives related to automation and business processes. One initiative was an electronic file assembly process called ePulling. This initiative involved the development of customized software to identify, classify, and sort page-level data; reorganize the images after classification; and identify duplicates. Another initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative includes a new Representative Video Project, which will allow claimant representatives to use their equipment to participate in hearings from their own offices.

Our June 2009 evaluation of Electronic File Assembly reviewed the ePulling initiative and found ODAR was facing challenges with the accuracy of the ePulling software, which in turn was increasing case preparation times. In addition, we found ODAR needed to establish a sufficient assessment methodology for measuring ePulling's impact on the hearings process since such a methodology was critical to future decisions on expanding the use of ePulling to other hearing offices. One of our recommendations was for SSA to perform a complete assessment of the ePulling project results before expanding the use of the process in other hearing offices. SSA agreed with our recommendation, noting that both the Agency and the vendor had made numerous software enhancements that would be assessed in terms of their effect on productivity before a decision was made to expand the project. In August 2009, ODAR management decided to discontinue the ePulling initiative.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

SSA is facing a considerable increase in initial claims receipts because of the declining economy. At the end of FY 2008, initial claims pending at disability determination services (DDS) were around 550,000. However, in FY 2009, initial receipts were approximately 13 percent higher than the previous year. As a result, initial claims pending grew to about 780,000 cases at the end of FY 2009. SSA expects 350,000 more initial disability claims than first projected for FY 2010 and estimates that the pending level could reach over 1 million by FY 2010. SSA also estimates that initial claims will continue to increase and remain at historically high levels for the next several years.

Along with increased receipts, some DDSs are facing high attrition rates as well as challenges in hiring due to State hiring freezes and furloughs, all of which impact SSA's ability to process the disability workload. Eleven States implemented furloughs involving DDS employees in FY 2009, and nine states had various restrictions on hiring. Prior Inspector General work in this area showed that the California DDS will encounter a reduced capacity of 10 percent due to furlough days. As a result, the processing of approximately 2,375 disability cases per month would be delayed.

SSA is also facing a large backlog of full medical continuing disability reviews (CDR). Between FYs 2004 and 2008, the number of full medical CDRs conducted by SSA decreased by approximately 65 percent. At the end of FY 2009, SSA had a backlog of approximately 1.4 million CDRs that were due but were not released to the DDSs for processing, and this number is estimated to increase in FY 2010. The backlog of CDRs means that beneficiaries who no longer qualify for disability are receiving payments improperly resulting in the Disability Insurance Trust Fund and General Fund losing billions of dollars.

SSA Has Taken Steps to Address This Challenge

SSA is developing a multi-year plan to address the increase in initial disability claims and reduce the initial claims backlog to an optimum level. The multi-year plan provides for

- increased adjudicatory capacity in the DDSs and Federal processing components;
- improved efficiency through automation;
- expedited IT investments to optimize systems performance;
- expanded use of screening tools to assist in identifying likely allowances; and
- refined policies and business processes to expedite case processing.

To increase adjudicatory capacity, SSA hired approximately 2,600 DDS employees in FY 2009. SSA is also looking at alternatives for increasing DDS support staff, including medical consultants who provide expert advice on disability claims. In addition to DDS hiring, SSA funded DDS overtime with both its FY 2009 appropriation and ARRA funds. SSA has also approved Extended Service Teams in Arkansas, Oklahoma, Mississippi, and Virginia to assist other states in processing disability claim receipts. In addition, SSA is increasing staffing levels in its Federal components to provide support to DDSs that are most adversely impacted by the increase in receipts.

As part of this multi-year plan, SSA is refining and expanding the Quick Disability Determinations (QDD) and compassionate allowance processes to better identify and fast-track disability claims that are most likely allowances. SSA's QDD process and compassionate allowances initiative have provided some claimants more timely disability decisions and freed up some resources to process the increased number of disability claims. Prior Inspector General work in this area has shown that QDD was working as intended with medical determinations for these disability claims being made generally within the recommended 20-day time frame.

We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The CDI program is managed in a cooperative effort between SSA's Offices of Operations, Inspector General, and Disability Programs. Since the program's inception in FY 1998 through FY 2009, the 20 CDI units, operating in 18 States, have been responsible for over $1.3 billion in projected savings to SSA's disability programs and over $816.4 million in projected savings to non-SSA programs.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

SSA is responsible for issuing timely benefit payments for complex entitlement programs to about 60 million people. Over the years, SSA has reported high payment accuracy rates. For example, in FY 2008, SSA reported that 99.7 percent of OASDI payments was free of overpayment error, and 99.9 percent was free from underpayment error. Also that year, SSA reported that 89.7 percent of SSI payments was free from overpayment error and 98.3 percent was free from underpayment error. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. For example, for the 5-year period FYs 2004 to 2008:

- SSA paid $204.5 billion to SSI recipients. Of that total, $16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same 5-year period totaled $3.4 billion or the equivalent of 1.7 percent of outlays.
- SSA paid about $2.3 trillion to Old-Age and Survivors Insurance (OASI) beneficiaries. Of that total, $3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same 5-year period were projected to be $2.2 billion or the equivalent of 0.10 percent of outlays.
- SSA paid over $454.8 billion to Disability Insurance (DI) beneficiaries. Of that total, $6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same 5-year period totaled $1.8 billion, the equivalent of 0.4 percent of outlays.

Additionally, in FY 2008, it took SSA an average of 34 months to recover or waive overpayments in the SSI program, 18 months for the OASI program, and 42 months for the DI program.

A January 2009 OMB report, Improving the Accuracy and Integrity of Federal Payments, noted that 12 Federal programs—including SSA's OASDI and SSI programs—accounted for about 90 percent of the improper payments in FY 2008.

The reduction of improper payments is one of SSA's key strategic objectives. Further, Congress passed the Improper Payments Information Act of 2002 (Pub. L. No. 107-300), and OMB issued guidance (OMB M-06-23) clarifying the definition of an improper payment and its authority to require that agencies track programs with low error rates (that is, less than 2.5 percent), but significant improper payment amounts.

We issued a report in April 2006, Overpayments in the Social Security Administration's Disability Programs, where we estimated that SSA had not detected about $3.2 billion in overpayments and paid about $2.1 billion in benefits annually to potentially ineligible beneficiaries. Although SSA tries to achieve a balance between stewardship and service, it is a challenge because of the funding needed for the Agency to conduct an adequate number of medical and work-related CDRs. Although the Agency had special funding for CDRs in FYs 1996 through 2002 and SSA's data show that CDRs save about $10 for every $1 spent to conduct them, the Agency has cut back on this workload over the past several years. We are completing work that will determine the financial impact of SSA conducting fewer full medical CDRs.

Similarly, the number of SSI redeterminations conducted by SSA has substantially decreased although the number of SSI recipients has increased. A redetermination is a review of a recipient's non-medical eligibility factors, such as income, resources, and living arrangements. No individual shall be considered eligible for SSI payments for any period during which they have income or resources that exceed the allowable amounts established under the Social Security Act. Between FYs 2003 and 2009, redeterminations decreased by more than 40 percent. We estimated in a July 2009 report, Supplemental Security Income Redeterminations, that SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA Has Taken Steps to Address This Challenge

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is errors attributed to computations. SSA developed automated tools to address the more troublesome computation issues, which include calculations involving the Windfall Elimination Provision. As another example, SSA completed a feasibility test and had begun to roll-out large-scale monthly wage reporting using touch-tone and voice recognition telephone technology. This addresses one of the major causes of improper payments in the SSI program, which is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. SSA has taken additional steps to address another leading cause of improper payments in the SSI program. SSA has used the Access to Financial Institutions process in New York, New Jersey and California since FY 2007 to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA hopes to expand the use of this process in FY 2010 if additional funding is available.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the Debt Collection Improvement Act of 1996 (Pub L. No. 104-134) for OASDI debts and the Foster Care Independence Act of 1999 (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in March 2008, we issued a report, Follow-up on the Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers, which identified $7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their SSNs on its payment records. As a result, the Agency's data matching efforts did not detect that these individuals were incorrectly paid. When we issued the report, SSA had already recovered $3.1 million (41 percent) of the improper payments.

We also issued a report in April 2009, Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File, where we estimated that approximately $3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although the Agency identified about $1.8 billion of these overpayments to approximately 141,000 beneficiaries, we estimated about $1.3 billion in overpayments to approximately 49,000 beneficiaries went undetected by SSA. As of March 2009, the Agency had successfully recovered about $615 million of the approximately $3.1 billion overpaid because of work activity. Furthermore, we estimated about 24,000 of the 49,000 beneficiaries were no longer entitled to disability benefits because of work activity. Finally, we estimated SSA would continue to incorrectly pay about $382 million annually to individuals no longer entitled to disability benefits if it does not take action.

IMPROVE CUSTOMER SERVICE

SSA acknowledges it is at a critical moment concerning its ability to fulfill its mission of delivering quality customer service to the public. SSA is challenged by many factors, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. Because of the recent economic downturn and the leading edge of baby boomer retirements, SSA is receiving increasing numbers of retirement and disability claims. SSA is also finding that the public expects it to provide services in new ways made possible by technology.

The increasing workloads and loss of expertise due to the retirement of its employees, will strain SSA's ability to deliver the quality service the public expects. SSA's projected retirement of its employees presents a significant challenge to its customer service capability. SSA estimates that 53 percent of its employees, including 70 percent of its supervisors, will be eligible to retire by 2017. This loss of institutional knowledge may adversely affect SSA's ability to deliver quality service to the public. Over the last few years, the public has dealt with longer waits in local field offices and has faced increased telephone busy rates.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints a representative payee who receives and manages the benefit payments for beneficiaries who are not able to manage or direct the management of their finances because of their youth or mental or physical impairment. Our reviews continue to identify problems with SSA's Representative Payment program. Specifically, we found (1) SSA needs to improve its controls to prevent fugitive felons from serving as representative payees; (2) SSA should use certain characteristics to identify representative payees who have an increased risk of benefit misuse; (3) SSA staff could bypass systems controls and establish direct payments for concurrently entitled beneficiaries who had representative payees; and (4) specific individual and organizational representative payees had not complied with SSA's policies and procedures.

SSA Has Taken Steps to Address This Challenge

One of the Agency's priorities in addressing its customer service challenges is to increase the use of technology to improve the speed, accuracy, and efficiency of operations as well as provide the public with more service choices. For example, the Agency released a new Internet application, iClaim, to simplify and shorten the on-line filing process and eliminate field office visits. In addition, SSA developed an Internet-based tool that will provide claims status online, which the Agency believes will reduce the 2 million calls received annually requesting case status. In January 2009, SSA launched its Retire Online public service announcement campaign to promote SSA's new online application for retirement benefits. Patty Duke has volunteered to serve as a spokesperson to encourage the baby boomer generation to file for retirement benefits online.

SSA has seen considerable growth in the public's use of electronic services. For example, the use of the Retirement Estimator, which allows SSA's customers to obtain an immediate and personalized estimate of their Social Security retirement benefits, has tripled from about 687,000 to 2.1 million, and on-line retirement applications have increased by approximately 54 percent since FY 2008.

To address its human capital challenges, SSA has implemented various strategies, such as hiring thousands of new employees, conducting leadership development programs, providing ongoing refresher training to managers and employees, and implementing a national coaching program. Additionally, the Agency reported it is using kiosks and personal computers in SSA field offices to provide modern, fast, and user-friendly service. Further, the Agency merged, expanded, realigned, and established new components within the Agency. For example, a new office was established to assess and improve notices issued to the public, which is the most common form of service delivery, totaling 350 million notices, annually.

For its representative payee program, SSA has studies underway to identify indicators of representative payee misuse. It also developed a new representative payee system, implemented a policy change to require management approval when selecting representative payees with a prior history of misuse, and developed an on-line representative payee accounting for benefits. Additionally, SSA reported it performed reviews of problem representative payees and corrected representative payee information in the Agency's records. Further, SSA reported it plans to change its current computer matching process to ensure fugitive felon alerts are generated and resolved, which should help prevent them from serving as representative payees.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

SSA will not be able to manage its current workloads and those projected for the future without the proper IT infrastructure. SSA has less than 75 percent of the employees it had 25 years ago, despite core workloads increasing by 50 percent and new workloads being added. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. However, the Social Security Advisory Board and others have concerns regarding SSA's physical infrastructure, backup and recovery, processing systems, and telephone service. Another issue of concern is the level of security SSA has over its IT systems and the sensitive data they store.

Physical Infrastructure and Backup and Recovery - SSA is confronted with two critical issues: the vulnerability of its main computer data processing facility—the NCC—and its backup and recovery capability. SSA received over $500 million from ARRA to replace the NCC. The NCC vulnerability stems from the fact that, while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services have severely strained its ability to support the Agency's business. SSA estimates that by 2012, as a stand-alone data center, the NCC will no longer be able to support this expanding workload. Additionally, as noted in an April 2009 Social Security Advisory Board report, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. However, the Agency has projected that an NCC replacement will not be brought online before 2015. Finally, current disaster recovery plans use a private company's backup and recovery facilities at an off-site location that allows for the recovery of only 25 to 30 percent of the Agency's production capacity.

Processing Systems are Overburdened - A significant part of the problem with SSA's processing systems is the consequence of a piecemeal approach to systems planning and development. Most software applications have been developed in vertical stovepipes, usually to address a particular program need, which has resulted in the primary claims processing systems not being integrated. The system designed to process OASDI claims is separate from the system used to process SSI claims, most of which are claims for disability benefits. As a result, the Agency's front-line employees have to process case information through an assortment of disjointed tools that sometimes look different from one another, and more significantly, may not propagate data across systems. As a result, identifying information, employment data, contact addresses, etc. may have to be entered as many as three or four times when an individual is applying for disability and SSI.

Modernization of the Agency's processing systems is constrained by an underlying problem. The foundation of SSA's IT infrastructure is an outdated database management system, called the Master Data Access Method (MADAM), which was developed in-house in the 1980s. Continued reliance on MADAM exposes the Agency to significant risks, including delays in its ability to improve its systems functionality.

Inadequate Telephone Service - One of the original goals of the national 800-number was to free staff time in local offices to handle more complex issues. In FY 2009, over 82 million calls were placed to, and 60 million transactions were handled by, the national 800-number. Callers had to wait over 4 minutes for their calls to be answered and experienced a busy rate around 8 percent of the time. The volume of transactions handled by the 800-number is estimated to increase to 64 million by 2010. Without new and faster tools to answer and resolve caller inquiries, wait times and busy rates are likely to climb.

Systems Security - SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over physical and logical access to its electronic information, technical security configuration standards, suitability and continuity of systems operations have been identified. For example, the Agency's control over access to its information was identified as a significant deficiency in FY 2009. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure they do not recur. This means ensuring the security of its critical information infrastructure and sensitive data.

SSA Has Taken Steps to Address This Challenge

Physical Infrastructure and Backup and Recovery - To address the existing NCC's capacity issues and the need for a more comprehensive recovery capability, SSA began production at a second processing center, the Durham Support Center, in May 2009. This facility is a co-processing center. Routine operations are now divided between the Durham Support Center and the current NCC. Within 2 years, each facility will continually back up data from the other. This will improve operational capacity and data security for a period of time. The Durham Support Center will also assist SSA with its workloads while the new NCC is being designed and constructed. SSA has also initiated the Accelerated Disaster Recovery Exercise project, which will result in the execution of a disaster recovery exercise at the Durham Support Center in FY 2010.

Processing Systems and Databases - SSA's strategy is to move toward seamless and integrated processing by replacing all external and internal applications over the next 10 years. Seamless and integrated processing would result in users having one entry point for all applications without requiring that they go back and forth between systems to process multiple applications and forms. SSA's data input and collection process would also have a standard look and collection point.

SSA also initiated a Self-Help electronic services pilot to assist with the increase in retirement and disability claims SSA is experiencing in its field offices. SSA's Self-Help process provides computers that field office visitors can use to apply for retirement and disability benefits, request benefit verification, perform a change of address, appeal a disability decision, and more.

Furthermore, it is crucial for SSA to ensure availability and performance of its program databases. The Agency's databases maintain demographic, earnings, and benefit information on almost every American, which is critical in determining issues of eligibility and benefit payment amount. SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete.

Telephone Service - SSA is addressing the need to improve its telephone operations. In March 2008, it awarded a $300 million contract to build a Voice over Internet Protocol (VoIP) telephone system for about 1,600 field offices. VoIP will allow SSA to fully integrate its telephone system and data network. Thus, VoIP will provide faster call routing to any geographic location, the ability for calls to follow the users between locations across the network, and quicker access to caller information.

Additionally, SSA is working to award the Citizen Access Routing Enterprise 2020 contract, which will replace the expiring National 800 Number Network and Call Center Network Solution contracts. The Citizen Access Routing Enterprise 2020 contract will result in a single contract to provide Interactive Voice Recognition automation and call center agent services via SSA's National Toll Free Number.

Systems Security - SSA has addressed systems security in a variety of ways. For example, it created a Critical Infrastructure Protection work group to address compliance with various directives, such as the Homeland Security Presidential Directives and the Federal Information Security Management Act of 2002. Additionally, SSA placed guidance on its Intranet site on how to properly protect personally identifiable information. Lastly, SSA is in the process of acquiring a second, fully functional, co-processing data center to minimize the risks associated with having a single, national computing facility.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

In FY 2009, SSA issued approximately 18 million Social Security number (SSN) cards and received approximately $668 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

Since its inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers and, as such, valuable as illegal commodities. Over the last decade, SSA made significant strides strengthening controls in the enumeration process. Additionally, SSA has worked to better protect SSNs in its records. However, once an SSN is assigned, SSA has little control over the collection, use, and disclosure of these numbers by external entities. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs. To better protect these important numbers and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

We commend the Agency for the numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority to curb the unnecessary collection and use of SSNs. Our audit and investigative work has taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life.

We also remain concerned with SSA's plans to expand the Enumeration at Entry process to other classes of noncitizens until it implements significant improvements we recommended in two audit reports issued in 2005 and 2008, respectively. For example, to prevent the issuance of multiple SSNs to noncitizens who apply through both Enumeration at Entry and at an SSA field office, we recommended that SSA implement systems changes to propagate alien registration numbers to the Numidents of all immigrant applicants. Once propagated, we encouraged SSA to enhance system edits to include a search on these numbers rather than through its current methods, which have not always prevented and/or identified multiple SSNs assigned to the same individual. According to SSA, in 2010, the Agency will devote resources to modify its "enumeration scoring routines" to include a check of the alien registration number. We are encouraged by these plans, but believe SSA should defer expansion of Enumeration at Entry until these system changes are implemented.

Finally, SSA is devoting resources to develop an on-line system for issuing replacement Social Security cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative and support its decision not to pursue this initiative until proper authentication controls are in place.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2009, the ESF had accumulated approximately 296 million wage items for Calendar Years (CY) 1937 through 2007, representing about $836 billion in wages. Our review of ESF data compared to the total wages reported by employers showed the ESF continued to grow in both real and relative terms from CY 1999 through CY 2006. In CY 1999, the ESF represented about 3.4 percent of total reported wage items and grew to 4.3 percent by CY 2006.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse (the use of an SSN by someone other than the SSN holder for work purposes), identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with additional information on potential employee issues. For example, SSA should ensure that feedback provided to employers using its Employee Verification Service and Social Security Number Verification Service (SSNVS) programs is consistent in terms of name/SSN matches and death indicator responses. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates.

SSA Has Taken Steps to Address This Challenge

SSA has implemented numerous improvements in its enumeration process. We acknowledge that with these new procedures/requirements, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include (1) verifying the authenticity of most immigration and birth records submitted with original SSN applications; (2) establishing the Enumeration at Birth and Entry programs, both of which reduce SSA's reliance on documents that could be counterfeited; (3) opening a number of Social Security Card Centers that focus exclusively on assigning SSNs and issuing SSN cards; and (4) improving its enumeration systems, which assist employees in complying with SSN assignment regulations and policies.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has issued annual Social Security Statements, increased its electronic wage reporting, expanded the use of its verification program SSNVS, and continued to support DHS in administering the E-Verify program.

Issued Annual Social Security Statements - The Agency issues annual Social Security Statements to individuals so they can review their earnings records for accuracy and completeness. SSA mails the Statements to all workers age 25 and older who are not yet receiving Social Security benefits. In FY 2009, SSA issued about 151 million Social Security Statements.

Increased Electronic Wage Reporting - SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process because paper wage reports are more error-prone, labor intensive, and expensive to process. SSA encourages employers to use Business Services Online to file Wage and Tax Statements (Forms W-2) for their employees electronically. From January through September 2009, SSA processed over 197 million Form W-2s electronically.

Expanded Use of SSNVS - SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantaneously, if an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps minimize fraud and improves the accuracy of individuals' earnings records. For FY 2009, SSNVS processed about 99.2 million verifications for approximately 40,000 registered employers.

Collaborated with DHS - SSA has continued to support E-Verify, a DHS program that allows employers to electronically verify whether newly hired employees are authorized to work in the U.S. under immigration law. With SSA's assistance, DHS has made program improvements. For example, in September 2007, E-Verify's Photo Screening Tool was implemented, which allows employers to check the photograph on his or her new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process. In addition, in February 2009, DHS began incorporating passport data into E-Verify to help verify citizenship status information in the event of a mismatch with SSA for citizens who present a U.S. passport during the *Employment Eligibility Verification* (Form I-9) process.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

In a January 21, 2009 memorandum to the heads of Executive Departments and Agencies, the President noted that Government should be transparent since it promotes accountability and provides information for citizens about what their Government is doing. Transparency is characterized by visibility or accessibility of information. Accountability is an obligation to accept responsibility for one's actions.

Transparency - While information on SSA programs and performance is available publicly, improvements can be made to increase the level of transparency. SSA has developed Strategic Plans, Annual Performance Plans (APP), and Performance and Accountability Reports that provide the public information on the Agency's mission, strategic priorities, and operational performance. While these Plans and Reports are accessible on SSA's Website, they can be improved. SSA's APP contains some performance measures that are unclear and do not provide a meaningful assessment of SSA's performance. For example, the performance measure "Update the medical *Listing of Impairments*" does not provide an understanding of the purpose of updating the listing or why it is important for the Agency to do so. As another example, SSA has the performance measure, "Process the budgeted number of Supplemental Security Income non-disability redeterminations." This output-based performance measure does not provide an understanding of the impact or goal of redeterminations. It is difficult to determine the value of redeterminations by just knowing how many SSA plans to complete.

As another example, SSA's various performance measures of the disability claims process do not provide a meaningful assessment of the waiting time involved from a claimants' perspective. The Agency lacks a performance measure that details the cumulative time a claimant waits through the entire disability process. SSA only measures different portions of the process a claimant may experience. For example, SSA has a performance measure, "Achieve the budgeted goal for average processing time for hearings," with a goal of 516 days in FY 2009. While 516 days seems like a long time to wait for a decision after a request for a hearing, the time it would take a claimant to get from the initial application for disability benefits to the time a request for a hearing is disposed of is actually much longer. When a claimant's request for a hearing is disposed of, he or she has already waited through the time it took for the initial decision to be made by a DDS and a reconsideration by the DDS of its initial decision. When these parts of the process are added cumulatively, as the claimant experiences the process, a claimant may wait 811 days, or 2.2 years, from the initial application to receipt of a decision. The actual time an applicant spends waiting for a decision at the hearing stage is far greater than the 516-day goal suggested by SSA.

SSA's public planning documents also lack meaningful performance measures that address its efforts to improve its outmoded and inefficient IT infrastructure. For example, while SSA's Strategic Plan states that all the Agency's plans depend on a strong 21st century data center to replace the aged NCC, neither the Strategic Plan nor the APP contains a corresponding performance measure to help the public track SSA's progress in constructing a new data center. Similarly, SSA states in its Strategic Plan that its IT infrastructure is resting on a foundation of aging computer programs, which will make it difficult to implement new business processes and service delivery models unless it makes necessary updates now. While SSA identifies this as a critical workload to provide the service models needed to meet an increasing demand, it does not have a performance measure that tracks its progress in updating its computer programs.

Accountability - Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods and procedures used to meet missions, goals and objectives. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management.

In the most recent audit of SSA's financial statements, the Office of the Inspector General noted a significant deficiency within SSA's internal controls. SSA management was unable to consistently provide documented evidence that security accesses were reviewed by management to determine that the system datasets, transactions, and resources for mainframe hosted applications, including financially significant systems and related tools, were in-line with the concept of least privilege. To more fully protect SSA from risks associated with the loss of data, loss of other resources, or compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs, SSA management must further strengthen its security program. Further progress is needed in the area of access assignments to application systems data and programs by SSA personnel.

SSA has other internal control challenges as well. As SSA changes or implements programs, the controls over these programs need to be reviewed and changed to ensure the Agency is accountable and its programs meet their stated purposes. For example, in FY 2009, SSA sent ERPs as part of its implementation of ARRA. When initially implementing the program, SSA's related policies and procedures over the ERPs were not fully developed. A policy was not initially established for ERPs issued to deceased beneficiaries and representative payees who died after SSA's certification, but before the receipt of payments. Also, there were reports that SSA sent stimulus checks to 1,700 inmates who should not have received them because they were incarcerated.

As part of its efforts to be accountable, SSA must ensure its contractors provide the services for which they are contracted efficiently and effectively. SSA enters into a number of contracts and provides a number of grants that help SSA obtain services and research, such as the development and the implementation of demonstration projects, digital document services, and research on disability and retirement issues. In FY 2009, SSA spent over $1.2 billion on contracts and grants. To help ensure SSA receives the services for which it pays, it needs to establish a greater degree of management oversight by strengthening contract and grant oversight roles and responsibilities, and more clearly defining contractor requirements.

SSA Has Taken Steps to Address This Challenge

SSA has taken steps to bring greater transparency and accountability to its operations. The Agency has continually revised its performance measures and goals to provide the public an indication of its performance. While some measures and goals need to be improved, like those discussed on page 20 of this report, we note the Agency has a tradition of publicly reporting on its performance.

The Agency will have an additional opportunity to improve its transparency and accountability in the near future. For example, ARRA calls for the uses of all ARRA funds to be transparent to the public, and the public benefits of these funds should be reported clearly, accurately, and timely. Also, the President's memorandum on openness and transparency charged the U.S. Chief Technology Officer, together with OMB and the General Services Administration, with creating recommendations for an OMB Directive on open Government. SSA will need to implement this policy once the Directive is finalized and released, which is anticipated in the near future. The Directive will help define the level of openness expected Government wide and within SSA, which should help to improve the level of transparency and accountability within the Agency.

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

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

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

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

ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Achieving Our Mission* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (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:

Disability Quality Assurance Reviews

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

Quality Assurance Review					
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
% of state DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	96.3%	96.9%	97.7%	98.3%
No. of cases reviewed	37,101	35,433	33,329	32,292	34,378
No. of cases returned to the DDSs due to error or inadequate documentation	1,389	1,326	1,028	729	601

Title II Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow or continue not returned to the DDSs for correction	95.9%	96.0%	96.3%	97.3%	97.9%
No. of cases reviewed	328,189	305,233	307,884	338,440	356,956
No. of cases returned to the DDSs due to error or inadequate documentation	13,338	12,118	11,225	9,203	7,481

Title XVI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	97.4%	98.1%	98.3%
No. of cases reviewed	N/A	N/A	80,784	105,203	114,645
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	2,117	2,018	1,900

Continuing Disability Reviews

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

CDR Accuracy					
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Overall Accuracy	94.9%	93.5%	95.6%	96.6%	97.7%
Continuance Accuracy	95.3%	93.8%	96.4%	97.6%	98.6%
Cessation Accuracy	93.3%	92.4%	93.5%	93.2%	94.8%

OASI and SSI Quality Assurance Reviews

One of our four *Government Performance and Results Act* strategic goals is 'preserve the public's trust in our programs.' One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 65-68.

SSI Redeterminations

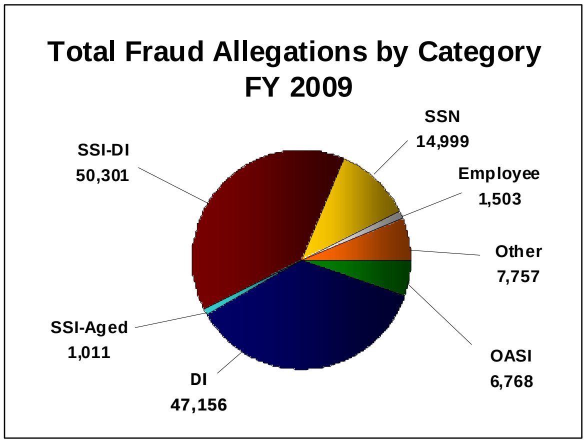
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits and thus must be reflected in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2009. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on page 63.

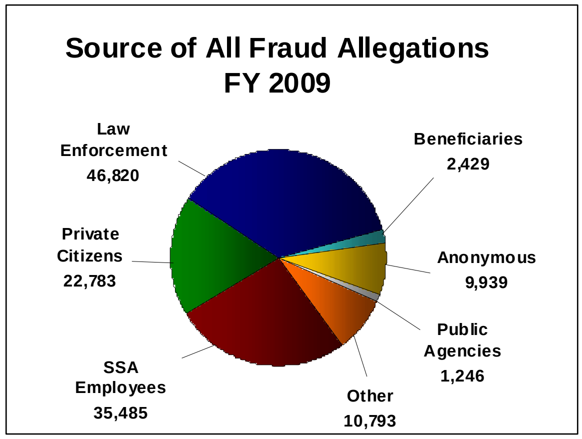
Payment Safeguard Activities

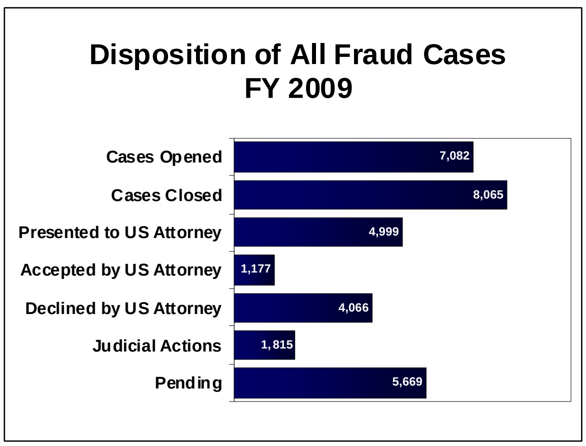
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, we invested an estimated $1 billion in processing nearly nine million cases in FY 2008. Current estimates indicate that these payment safeguard activities provided benefits to the OASDI trust funds and the United States Treasury of over $6.8 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2009 results of these payment safeguard activities will be available in 2010.

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

In FY 2009, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General, the U.S. Attorney, and other State and local agencies on cases involving fraud, waste, and abuse. The charts below summarize the Office of the Inspector General's involvement in fraud activities throughout the fiscal year.







BIENNIAL REVIEW OF USER FEE CHARGES

Summary of Fees

User fee revenues of $346 million and $413 million in FY 2008 and FY 2009, respectively, accounted for less than one percent of our total financing sources. Over 78 percent of user fee revenues are derived from agreements with 23 states and the District of Columbia to administer some or all of the states' supplemental SSI benefits. During FY 2009, we charged a fee of $10.45 per payment for the cost of administering state supplemental SSI payments. This fee will remain the same for FY 2010. The user fee will be adjusted annually based on the Consumer Price Index unless we determine a different rate is appropriate for the states. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Our review of fees during FY 2008 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. We are planning to perform another review of these fees during FY 2010.

DEBT MANAGEMENT

During FY 2009, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. In FY 2009, we collected $3.06 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the *Improper Payments Information Act of 2002 Detailed Report* immediately following this section.

In addition, we continue to use the system developed in FY 2002 to analyze and monitor our debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. We recognize that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. We have underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations. Collection data shown in the *Performance Section* and the *Improper Payments Information Act Detailed Report* only include legally defined overpayments in which beneficiaries have certain due process rights.

FY 2009 Quarterly Debt Management Activities (In Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	$14,886.8	$15,145.3	$14,771.9	$14,999.6
Total collections (cumulative)	(936.3)	(1,772.1)	(2,613.4)	(3,465.8)
Total write-offs (cumulative)	(344.7)	(572.5)	(817.7)	(1,076.7)
TOP collections (cumulative)	(3.5)	(49.3)	(77.6)	(81.8)
Aging schedule of delinquent debts:				
- 180 days or less	1,357.8	1,163.3	1,129.1	1,114.6
- 181 days to 10 years	2,609.7	2,682.0	2,686.7	2,722.8
- Over 10 years	102.9	110.2	121.7	133.0
- Total delinquent debt	$4,070.4	$3,955.5	$3,937.5	$3,970.4

Debt Management Activities					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total debt outstanding end of FY (millions)	$13,154.8	$13,662.3	$14, 253.4	$14,912.3	$14,999.6
% of outstanding debt					
- Delinquent	21.8%	23.9%	24.6%	25.1%	26.5%
- Estimated to be uncollectible	24.2%	24.4%	27.4%	27.1%	27.5%
New debt as a % of benefit outlays	0.8%	0.9%	0.8%	0.9%	0.8%
% of debt collected	18.5%	20.2%	20.1%	21.3%	23.4%
Cost to collect $1	$0.09	$0.08	$0.07	$0.07	$0.06
% change in collections from prior FY	9.5%	13.4%	3.5%	11.1%	10.4%
% change in delinquencies from prior FY	15.3%	13.9%	7.6%	6.5%	6.3%
Collections & write-offs as a % of Total Debt	19.3%	21.2%	20.6%	21.1%	22.1%
Collections as a % of clearances	74.3%	71.1%	74.4%	75.9%	76.5%
Total write-offs of debt (in millions)	$841.8	$1,123.6	$986.1	$1,010.2	$1,076.7
Average number of months to clear receivables:					
- OASI	20	18	18	18	18
- DI	30	29	39	40	42
- SSI	42	43	42	36	34

IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

Background

We are committed to reducing improper payments. We report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that should not have been made or were made in an incorrect amount. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the *Government Performance and Results Act of 1993*.

Statistical Sampling

The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on the SSA rolls. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We select a statistically valid national sample monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all non-medical factors of entitlement are redeveloped as of the current sample month. We input the findings to a national database for analysis and report preparation. Similarly, we determine the SSI payment accuracy rates by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. We determine separate rates for the accuracy of payments in terms of overpayment and underpayment dollars.

Risk-Susceptible Program

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million (see Table 1). SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For fiscal year (FY) 2008, improper payments resulting in overpayments were $4.6 billion, or 10.3 percent of outlays. Improper payments resulting in underpayments totaled $789 million representing 1.8 percent of total outlays. Every tenth of a percent change represents $45 million dollars in error. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11, including the OASI and DI programs.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer, for the sixth consecutive year we performed a review of our administrative payments, e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments. Further information on this risk assessment of our administrative payments is available on pages 189 through 191.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI, and SSI programs for FYs 2006, 2007, and 2008 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data.

Table 1: Improper Payments Experience FY 2006 – FY 2008 ($ in millions)						
	FY 2006		FY 2007		FY 2008	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	$454,300		$479,500		$502,692	
Underpayments	$238	0.05%	$580	0.12%	$334	0.07%
Overpayments	$948	0.21%	$345	0.07%	$841	0.17%
DI						
Total Payments	$90,700		$97,300		$104,500	
Underpayments	$442	0.49%	$175	0.18%	$160	0.15%
Overpayments	$877	0.97%	$864	0.89%	$1,200	1.12%
OASDI						
Total Payments	$545,000		$576,800		$607,210	
Underpayments	$680	0.12%	$754	0.13%	$495	0.08%
Overpayments	$1,824	0.33%	$1,209	0.21%	$2,041	0.34%
SSI						
Total Payments	$40,328		$42,600		$45,045	
Underpayments	$896	2.2%	$652	1.5%	$789	1.8%
Overpayments	$3,193	7.9%	$3,900	9.1%	$4,648	10.3%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.05% and -0.04% for underpayments and +0.24% and -0.20% for overpayment; for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; and for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments;
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.64% and -0.48% for underpayments and +0.85% and -0.85% for overpayments; for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; and for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments;
5. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, ±0.5% for underpayments and ±1.0% for overpayments; for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; and for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments.

Target accuracy goals for FYs 2009, 2010, 2011, and 2012 for the OASDI and SSI programs are presented in Table 2. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. For the SSI program, our goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96.0 percent for FYs 2009–2012.

Table 2: Improper Payments Reduction Outlook FY 2009 – FY 2012 ($ in millions)								
	2009 target		2010 target		2011 target		2012 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	$658,762	100%	$696,081	100%	$722,842	100%	$748,780	100%
Underpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
Overpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
SSI								
Total Payments	$49,069	100%	$51,668	100%	$52,958	100%	$56,000	100%
Underpayments	$589	1.2%	$620	1.2%	$635	1.2%	$672	1.2%
Overpayments	$1,963	4.0%	$2,067	4.0%	$2,118	4.0%	$2,240	4.0%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2009 data will not be available until April 2010; therefore, the rates shown are targets (goals).
3. The FYs 2009, 2010, 2011 and 2012 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2010 Budget. The SSI projections for FYs 2011 and 2012 are adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011 and 11 payment days in FY 2012, yet the quality review is not affected by payment days, but rather by entitlement months.

Definitions of Improper Payments

As of 2009, OMB has asked that we categorize improper payments by one of the three categories defined below:

- **Administrative and Documentation Errors** are errors due to not having all of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** are errors due to being unable to authenticate criteria such as living arrangements or qualifying child through third-party sources or incorrectly assessing the necessity of a medical procedure.
- **Verification and Local Administration Errors** are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting classifying, or processing applications or payments incorrectly by a state agency or third party who is not the beneficiary.

For our OASDI and SSI programs, the major causes of error are presented in Tables 3 and 4, respectively.

Improper Payments in the OASI and DI Programs

Over the last five years (FYs 2004-2008), a total of nearly $2.3 trillion was paid to OASI beneficiaries. Of that total, $3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same period were projected to be $2.2 billion, the equivalent of 0.10 percent of outlays.

Applying the same analysis to the DI program, we find that over the last five years, (FY's 2004-2008), a total of over $454.8 billion was paid to DI beneficiaries. Of that total, $6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same period totaled $1.8 billion, the equivalent of 0.4 percent of outlays.

Major Causes of OASDI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the OASDI program are listed below using OMB's 3 definitions of errors identified above.

Table 3: Major Causes of OASDI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	18%	Incorrect computations, onset dates and earnings history
Authentication and Medical Necessity Errors	2%	Relationship/dependency errors and failure to report cessation of full time attendance for students
Verification and Local Administration Errors	80%	Non-verification of earnings, income, assets or work status (e.g., in relation to Substantial Gainful Activity and Government Pension Offset); inputting, classifying, or processing applications or payments incorrectly

The major causes of improper overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Relationship/Dependency

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, our annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis. For the 5-year period from FY 2004 through FY 2008, OASDI deficiency dollars totaled $15.9 billion, an average of about $3.2 billion per year. Accordingly, we seek continuous improvement in our processes to minimize improper payments.

Corrective Actions

SGA: Although SGA is strictly an issue for Title II DI cases, errors attributed to SGA accounted for over 48 percent of all OASDI overpayment deficiency dollars for the last five FYs (2004-2008).

Errors involving SGA remain a significant problem area and while the number of SGA error cases remains low, the error dollars for these cases are often substantial. In terms of all errors (both overpayments and underpayments) for FYs 2004 through 2008, SGA accounted for about 35 percent of total OASDI deficiency dollars.

The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. For the 5-year period, 78 percent of the deficiency dollars associated with these errors resulted from the beneficiaries' failure to report that they were working. The remaining 22 percent of deficiency dollars are associated with cases where we received a notice of work activity from the beneficiary, but failed to schedule a work continuing disability review. To address the "failure to report" issue, we are initiating a review of individuals with recent work activity to determine if improvements can be made in the work verification process. We will examine when in the process cases are alerted, what we do with them, how long it takes, and what the final results yield. Currently, many invalid work alerts are generated which creates non-productive work. In addition, requests for work development are not initiated until an SSA employee reviews work history based on alerts produced by postings to the Master Earnings File. Our current analysis will determine if it is more efficient to automate work development requests much earlier in the process. In addition, we plan to develop and pilot ways to simplify the work CDR process, and improve the operational control of work reports and work reviews in order to reduce decision pending times.

Also, we are studying the feasibility of a quarterly interface match between the Office of Child Support Enforcement's National Directory of New Hires and our Master Earnings File to identify work activity by an Social Security Disability Insurance beneficiary. This quarterly match will allow us to more quickly identify and evaluate work activity and result in fewer overpayments due to work.

Computations: For the 5-year period ending 2008, errors in the computation category also trended higher than in prior years. Errors involving various "computations" accounted for about 22 percent of all Title II deficiency dollars for FY 2004 through 2008. About 75 percent of computational deficiency dollars are OASI program related. In terms of payment effect, computational errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period about 59 percent of the computation deficiencies were underpayments.

For the 5-year period, the leading causes of computational-related underpayments were calculations involving the Primary Insurance Amount (PIA), Windfall Elimination Provision (WEP), family maximums, Automatic Earnings Reappraisal Operation, and adjusted retirement factor/delayed retirement credit. The Stewardship data confirms that nearly 30 percent of computation errors, particularly PIA and WEP have their origins in initial claims processing and therefore have long-term effects over the life of the claims.

For the same 5-year period, errors involving WEP were the leading cause of computational-related overpayments. This type of error results when WEP has not been appropriately applied to the beneficiary, usually as a result of untimely reporting of pension information. Nearly 83 percent of the overpayment computational deficiency dollars for the FY 2004 through 2008 period involved WEP.

A proposal in the President's FY 2010 Budget would require state and local governments to provide data directly to us on receipt of government pensions based on work not covered by Social Security. This proposal would give us the ability to identify non-covered work in a more timely and consistent manner.

GPO: GPO rules generally require reduced Social Security benefits for a spouse or surviving spouse who receives a monthly pension from a Federal, state, or local government agency. All of the deficiency dollars in this category are OASI overpayments. Errors involving GPO account for about 7 percent of all Title II deficiency dollars for FY 2004 through 2008. As mentioned in the computation error discussion above, a proposal in the President's FY 2010 budget to require pension data from state and local governments would also assist in identifying when GPO would apply based on a pension received due to work not covered by Social Security.

Relationship/Dependency: This category involves a variety of issues such as unreported remarriage, not having a child-in-care, and students who were not in full-time attendance. In the Relationship/Dependency category about 55 percent of deficiency dollar represent situations in which the beneficiary did not report remarriage. Deficiency dollars in this category are all overpayments, of which about 83 percent are OASI overpayments.

We are evaluating several internal recommendations to address relationship/dependency errors. These recommendations include potential systems enhancements related to entitlement of stepchildren, procedural revisions, and a possible legislative change.

WC: We have an ongoing effort to prevent future problems in the WC area, as well as clean-up past problem cases. However, this manually-intensive workload continues to be a challenge. WC offset is another area that is strictly related to Title II DI cases. Errors involving WC offset accounted for about 10 percent of all Title II deficiency dollars for FY 2004 through 2008. During this period, the large majority of the WC deficiency dollars were underpayments, approximately 69 percent of the WC deficiency total.

Many of the problems associated with this complex workload are due to the variations in state laws regarding the offset of Social Security benefits for both WC payments and Public Disability Benefits (PDB). In addition, some beneficiaries may receive a combination of weekly payments, PDBs and a lump sum settlement. The combination of variance in state laws and multiple types of payments of WC/PDB received by a beneficiary often results in processing errors.

To facilitate improvement in processing claims, we re-wrote our WC operating instructions in FY 2008. The re-write addressed WC procedures related to each state. Some enhancements to the Interactive Computation Facility for computing WC offset were completed and a national website was created to house processing instructions and memorandums. We continue to work to improve the handling of claims containing WC, as well as clean-up previously identified problem cases.

By the end of FY 2009, we will have cleared nearly 6,744 clean-up cases, using the criteria developed in FY 2006 to determine which cases yield the highest return for investment, while continuing to concentrate on the quality of current WC processing. Beginning in FY 2010 and continuing through the next five years, our tentative plans are to clear 11,311 additional clean-up cases.

We are currently conducting a study on WC processing in initial claims to help determine problems during adjudication. If we can improve initial WC processing, this should translate to improved post-entitlement accuracy as well.

Wages/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. Although earnings-related errors involve small dollars in the sample month, they can have a substantial impact over the life of the claim. Unless discovered in a review such as a quality review, earnings-related deficiencies reflect an incorrect payment that will continue for the life of the claim. In terms of payment effect, earnings-related errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period, about 65 percent of the deficiency dollars for this category were underpayments. Many of these errors occur when military service credits are not given and when missing postings on the Master Earnings File are not resolved during adjudication.

We have taken a number of actions to reduce earnings-related errors. We added language to the Social Security Statement to remind the public to inform us of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits.

We have replaced the Earnings Computation alerts process with the Earnings Alert Record Query in the processing of claims. The Earnings Alert Record Query is a stand-alone query that checks the Master Earnings File for potential earnings irregularities on an individual's earnings record for years after 1977 (1978 and later). We implemented these alerts to enhance the detection of possible earnings irregularities and to eliminate unnecessary wage development during the earnings record review.

Increases in electronic W-2 filings reduce the number of items requiring later correction and improve earnings record accuracy. We exceeded our goal (81 percent) to receive all Form W-2s electronically for tax year 2008. For tax year 2009, our goal is to receive 83 percent of all W-2s electronically. As of August 8, 2009, we had received 197,194,262 (83.7 percent) of W-2s electronically.

The Social Security Number Verification Service allows registered employers or their third party representatives to verify the names and SSNs of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSNs per screen with immediate results or upload a file with up to 250,000 names and SSNs with the results available the next business day. In fiscal year 2009, through August 7, 2009, we have verified over 84.9 million names and SSNs for over 37,600 employers.

Earnings that are not posted to an earnings record after the annual posting cycle go to a suspense file. These wage or self-employment earnings are not matched to an earnings record after all routine matching operations are complete. We are working to develop new and additional automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings; and
- Match and move items from suspense to the beneficiary's earnings record.

We currently run several processes that re-examine the suspense file and electronically identify and post to the correct earnings records millions of dollars of earnings. In FY 2009 alone, these processes have moved over 104,000 items from the Earnings Suspense File (ESF) to the Master Earnings File resulting in more than $537 million being posted to the correct beneficiary record. We also expect that these re-examination processes will help us to enhance the management of the suspense file. In addition, we developed a software program (Manual Suspense Items Reinstate – MSIR) that is being used by the agency to manually look at ESF items that scored high in matching routines, but not high enough to be reinstated through one of the automated processes. To date, in FY 2009, MSIR has reinstated nearly 100,000 items from tax years 2003 and 2004 to the Master Earnings File, totaling over $361 million.

Improper Payments in the SSI Program

Over the last five years (FYs 2004-2008), we paid a total of $204.5 billion to SSI recipients. Of that total, $16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same period totaled $3.4 billion, the equivalent of 1.7 percent of outlays

We recognize the continuing decline in the accuracy of SSI payments. This is mainly caused by the focusing agency resources on initial claims processing, rather than post-payment initiatives. In the corrective action section below, we discuss efforts to make improvements. In addition, we will be developing an agency plan focused on these improvements and identifying others to increase SSI payment accuracy.

Major Causes of SSI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the SSI program are listed in Table 4, using OMB's three definitions of errors identified above.

Table 4: Major Causes of SSI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	11%	Incorrect computations, misapplication of an income or resource exclusion and wrong month of change
Authentication and Medical Necessity Errors	23%	Existence or changes to living arrangements and In-kind Support and Maintenance (ISM)
Verification and Local Administration Errors	66%	Verification of financial accounts and wages

The major causes of improper overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of improper underpayments in the SSI program have been:

- Wages
- Living Arrangement "A"
- In-kind Support and Maintenance

Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis.

Corrective Actions

For the entire 5-year period, 78 percent of the improper payments were overpayments caused by a change that occurred independent of an initial claim, redetermination, or limited issue. A limited issue is a case requiring development of a specific issue or event without conducting a redetermination.

Financial Accounts: For the 5-year period, financial accounts were the leading causes of overpayments, accounting for about 21 percent of the total overpayment dollars. For FY 2008, financial account overpayment deficiencies are estimated to be $1.4 billion.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For the 5-year period, undisclosed bank accounts or an increase in the amount of an account that the recipient or representative payee did not disclose to us accounted for 97 percent of the total overpaid dollars.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments occurred after we had been in contact with the recipient. In FY 2008, 90 percent of the improper payments in this category fit this description.

The agency's Access to Financial Information initiative provides for verification of bank account balances. This initiative is currently in effect in New York, New Jersey, and California. It has the potential to detect and prevent many of these bank account errors. If additional funding is made available in FY 2010, we will begin the process of national rollout.

Wages: Wages have been one of the leading deficiency types for overpayment improper payments in the last five years. They accounted for about 18 percent of total overpayment improper payments during the 5-year period. The major factor (91 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate and timely report of new or increased wages for the recipient or deemor. Wage overpayments increased from $803 million in FY 2007 to $884 million in FY 2008, a 10 percent increase.

In an effort to achieve more timely and accurate reporting of wages, the agency has implemented the SSI Telephone Wage Reporting system. This provides a separate toll-free number for people to call and report their wages each month. The monthly reporting of wages and automatic input to SSA's systems is an effective way to avoid incorrect SSI payments. Effective May 8, 2009, field offices across the nation must recruit SSI recipients, deemors (parent or ineligible spouse of an SSI recipient) and representative payees to participate at initial claim, redeterminations, and limited issue interviews. In FY 2009, the number of individuals who submitted wage reports by telephone was over 10,250. We anticipate that the favorable effects of this new national initiative should begin to appear when we measure FY 2009 accuracy.

In FY 2008, we completed just over 1.2 million non-medical redeterminations and limited issue reviews of SSI recipients. The number of limited issues was slightly less than in FY 2007, while the number of redeterminations increased by about 200,000.

Wages have been the leading cause of underpayment improper payments in four of the last five years, accounting for about 26 percent of total underpayment improper payments during the 5-year period. The major factor (88 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor. Over the 5-year period, wages earned by deemors accounted for 63 percent of underpayment improper payments and wages earned by recipients accounted for 37 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 61 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed. Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

Living Arrangements: Living arrangement "A" is the category that includes people who should have been paid based on "living in own household" (e.g., home ownership, rental liability, paying pro rata share of household expenses) but were paid based on another living arrangement. This category was the second leading cause of underpayment improper payments for the last five years, accounting for 19 percent of the total underpaid dollars.

Over the five years, this deficiency primarily occurred (88 percent) when the recipient provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, almost two-thirds of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination/related limited issue.

ISM: ISM deficiencies were the third leading cause of underpayment error dollars over the last five years, accounting for 19 percent of the total underpaid dollars. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (89 percent). This occurred because a change was not reported or we received an incomplete/inaccurate report (75 percent) and because field offices inaccurately processed cases (21 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, 70 percent of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination/related limited issue.

We are continuing to look at options for simplifying living arrangements and ISM policies that we believe would contribute to a reduction in underpayments.

The redetermination process is one of our most powerful tools for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when we are not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

Medical Aspects of the DI and SSI Programs

The medical aspects of the DI and SSI programs are administered through state agencies at the initial claim, reconsideration, and continuing disability review stages of the disability process. We have established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The allowance, denial, and overall accuracy rates for FYs 2007 and 2008 are presented in Table 5. These rates are determined by our quality assurance review of initial claims. We review all sampled determinations prior to effectuation and deficient cases are returned and corrected.

For FY 2009 the combined allowance and denial goal for net accuracy goal is 97 percent. FY 2009 data will be available in January 2010.

Table 5: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2007	FY 2008
Allowance	98.4%	98.9%
Denial	95.6%	95.4%
Combined	96.6%	96.6%

Note: The changes from FY 2007 to FY 2008 are not statistically significant.

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, we make the selection from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. We review all sampled determinations prior to effectuation and return and correct deficient cases. For FY 2007, Title II PER was estimated to save $583 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 11:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. FY 2008 is the first year we were required to review 50 percent of all allowances in the SSI program. In FY 2007, we were required to review 40 percent of SSI allowances. For FY 2007, SSI PER was estimated to save $88 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 8:1.

Improper Payments for Administrative Outlays

We conducted an evaluation of our FY 2008 administrative payments and determined them not to be susceptible to significant improper payments. In FY 2008, we outlaid $11,055 million to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits but also included payments to state agencies for the DDS.

Risk Assessment

We segmented administrative payments into several categories and used the categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 6: FY 2008 Administrative Expenses ($ in millions)	
Payroll and Benefits	$5,490
State DDS	$1,854
Other Administrative Expenses*	$3,711
Total Administrative Payments	$11,055

Notes:

*Other Administrative Expenses includes Travel, Transportation, Rents, Communications and Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land and Structure, Grants, Subsidies and Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest and Dividends, and Insurance Claims and Indemnities.

Using OMB guidelines, we conducted a risk assessment on each of the categories listed in Table 6. We reviewed the payment categories and assessed any identified improper payments versus the entire payment category. The result of this analysis showed that our administrative payments were not susceptible to significant improper payments.

As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, we determined that our administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

Recovery Audit Program

Section 831 of the *Defense Authorization Act for FY 2002* added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of $500 million in a fiscal year to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges. Additionally, we use computer-assisted auditing techniques to identify possible duplicate payments. Our in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount to help identify payments that represent a higher risk of being double payments.

Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate and reinforce our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

The recovery audit program scope included a sample review ($12.362 million) of the $1,462 million total administrative contractor payments for FY 2008. Of the total population, about .05 percent or $750,622 had been identified as an improper payment and collected. These results further validated our existing controls for prevention, detection, and collection of administrative improper payments.

We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Table 7: FY 2008 Recovery Auditing Results ($ in millions)

Agency Component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	$1,462	$12.362	$0.750	$0.750	$5.085	$5.085	$5.835	$5.835

Accountability for Improper Payments

In recognition of our responsibility to make payments in the right amount - neither overpaying nor underpaying - our Agency Strategic Plan includes an objective to curb improper payments. In view of the strategic importance of this effort, we are taking practical steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments.

SSA's Chief Financial Officer now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the Chief Financial Officer provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones, in coordination with other agency executives. Progress is monitored in regular meetings and agency executives are held accountable for achieving plan milestones.

Agency Information Systems to Reduce Improper Payments

Background

We have a formal process to plan and execute Information Technology (IT) projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to our Chief Information Officer on areas of Capital Planning and Investment Control. The ITAB is comprised of the Chief Information Officer, Deputy Commissioner for SSA, all Deputy Commissioners, and other executive staff.

As part of the Capital Planning and Investment Control environment, the ITAB reviews and approves IT plans outlining Office of Systems' IT initiatives prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well-founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to our capital investment and control process.

IT Strategy

The driving force behind IT Strategy is the Social Security Administration's IT Capital Planning and Investment Control process, which ensures broad Agency involvement in IT investment selection, control, and evaluation through a Chief Information Officer-chaired ITAB made up of senior executives and through independent Chief Information Officer-directed review and oversight. The IT Capital Planning and Investment Control process oversees all Agency IT investments (including internal IT staff resources as well as the acquisition of IT hardware, software, and services) through the Agency's IT planning, budgeting, cost, and schedule oversight and system development life cycle management processes.

IT projects are placed in Strategic Objective Portfolios that are based on the *Agency Strategic Plan* (ASP) Goals, Special Initiative, and Key Foundational Elements. There are 8 portfolios based on the ASP and a ninth portfolio for Reimbursable Work initiatives. The majority of the improper payment IT initiatives are in the Program Integrity Portfolio.

Provided we develop the IT initiatives identified to improve preventing, detecting, and collecting improper payments and are given the resources to do so, we will be in a better position to achieve our strategic objectives in this area. The President's FY 2010 budget request for the agency is $11.451 billion for Limitation on Administrative Expenses, an increase of $997 million in discretionary budget authority over our FY 2009 appropriation. With the President's FY 2010 budget, we will be able to process almost 4.6 million retirement and survivors claims and improve service to 800-number callers, substantially reduce the hearings backlog, and process more program integrity work. The budget supports our efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include processing approximately 2.3 million SSA non-disability redeterminations. These activities will help ensure the ongoing stewardship of our programs.

Statutory and Regulatory Barriers to Reducing Improper Payments

We continuously develop legislative proposals to improve administration of the OASI, DI, and SSI programs. For example, the President's FY 2010 budget included a proposal that would improve the administration of the GPO and the WEP by requiring pension payers to identify if the pension paid to the person is based in any part on work that was not covered by Social Security. With this information, we could then compare the reports with beneficiary payment records and examine cases that indicate the possibility that GPO or WEP applies. We would be able to obtain data on pensions based on noncovered work in a more timely and consistent manner. The proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

In another example, the *Food, Conservation and Energy Act of 2008* included a provision that allows the Federal Government to trace and recover Federal payments sent electronically to the wrong account. Previously, SSA only received OASDI account holder information for recovery. Pending publication of the Department of Treasury's regulations, we will have the authority to recover those misdirected and/or improper electronic payments for SSI in addition to OASDI.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2009, we collected $3.06 billion in program debt. We achieve debt collections in a variety of ways that have been developed over the years. Collection techniques include internal methods such as benefit withholding and billing and follow-up. In addition, we use external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* (FCIA) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG), and Federal Salary Offset (FSO).

Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, we have worked steadily over the years to build the strong debt collection program we now employ. We have a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund. In the early 1990s, we launched an expansion of debt collection tools that continues today.

Beyond our internal methods of debt collection which are benefit withholding and billing/follow-up, Table 8 below summarizes the results of key debt management initiatives we have undertaken, followed by a discussion summary of each initiative.

From their inception through September 2009, these initiatives have yielded over $3.5 billion in benefits through a combination of overpayment recovery and prevention improvements.

Table 8: Results Summary - Debt Management Initiatives ($ in Billions) Through September 2009

Initiative	Initial Inception	Results		
		OASDI	SSI	TOTAL
Tax Refund Offset/Treasury Offset	1992	$0.982	$0.675	$1.657
Credit Bureau Reporting	1998	$0.291	$0.236	$0.527
Cross Program Recovery	2002	$0.055	$0.486	$0.541
Wage Garnishment	2005	$0.043	$0.011	$0.054
Automatic Netting - SSI	2002	N/A	$0.730	$0.730
Total ($ Billion)		**$1.371**	**$2.138**	**$3.509**

Note: Tax Refund Offset/Treasury Offset includes Federal Salary Offset recoveries.

Non-Entitled Debtor collections are included in Tax Refund Offset/Treasury Offset, Credit Bureau Reporting, and Wage Garnishment totals.

Tax Refund Offset/Treasury Offset: Taking advantage of the legal authorities granted in the *Omnibus Budget Reconciliation Act of 1990* (for OASDI debts), and the *Deficit Reduction Act of 1984* (for SSI debts), we began an expansion of our debt collection initiatives with the implementation of tax refund offset (TRO) in 1992. We enhanced our TRO program twice in the 1990s and then merged it with TOP in 1998. To date, we have collected over $1.6 billion in delinquent debt via TRO/TOP.

Credit Bureau Reporting: In 1998, we began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, we also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over $527 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

Cross Program Recovery - SSI: After receiving the authority to use mandatory Cross Program Recovery (CPR), or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, we developed and implemented this internal collection method. Since 2002, we have collected over $486 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients. Also, we received additional authority for CPR in the *Social Security Protection Act (SSPA) of 2004* that enabled us to use mandatory CPR in situations where CPR was not previously permitted. We started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments.

Cross Program Recovery - OASDI: Under the authority granted by the SSPA of 2004, we further expanded the use of CPR in August 2007 to include recovery of OASDI overpayments from SSI underpayments. Since implementing this expanded CPR process, we have recovered almost $55 million in OASDI overpayments. We intend to continue expanding the CPR program to other situations in the future.

AWG: We also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each payday from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. We issued the first garnishment orders in April 2005 to the employers of OASI, DI, and SSI debtors who became delinquent in 2005. We expanded the AWG program to all existing delinquent debtors in August 2006. To date we have recovered over $54 million in AWG.

Automatic Netting - SSI: In addition to the preceding improvements, we implemented other debt collection techniques of major import. One such improvement is called "Netting," an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, we have prevented nearly $730 million in overpayments computed and underpayments paid.

Non-Entitled Debtors: In November 2005, we implemented a new initiative called the Non-Entitled Debtors (NED) program, which was also authorized by the FCIA. This automated system enables us to control recovery activity for debts owed by people for whom we do not have a master record. For example, the records for debtors such as representative payees who receive overpayments after the death of the beneficiary are controlled in NED. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits and will allow us to collect NED debts by means such as TRO, AWG, and FSO.

FSO: In FY 2006, we implemented FSO, which was authorized by the DCIA for OASDI debts, and by the FCIA for SSI debts. FSO is the process whereby the salary paying agency withholds amounts each pay day from an employee of the Federal government who owes a debt to a creditor agency. We use FSO to collect delinquent SSA overpayments owed by Federal employees, including employees who work for SSA.

Other Initiatives: We have also helped other Federal agencies with debt collection by collaborating with Treasury's Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the *Taxpayer Relief Act of 1997*, collects delinquent tax debts from Social Security benefits.

Continued improvement in our debt collection program is also underway. The future will see the expansion of our current initiatives as well as the implementation of several remaining debt collection tools which would be achieved through promulgating regulations. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value.

Economic Recovery Payments (ERP)

In February 2009 President Obama signed the *American Recovery and Reinvestment Act* (ARRA) of 2009 which provided for a one-time ERP of $250 to most adult OASDI, SSI, Railroad Retirement Board (RRB), and Veteran's Affairs (VA) Disability beneficiaries. If an individual was eligible for OASDI and/or SSI benefits in November 2008, December 2008, or January 2009, they are entitled to receive the one-time payment. If individuals receive benefits from more than one of the eligible programs, they receive a single $250 payment. The ARRA authorized the Agency to make payments through December 31, 2010. As of September 30, 2009, we have made almost 53 million ERPs totaling $13.1 billion.

We developed a risk management plan to determine the accuracy of the payments and for the following reasons the payments were determined to be low risk and not susceptible to improper payments.

- We used our existing Title II and Title XVI programmatic databases and master files to select and certify ERPs.
- We employed a sophisticated matching operation internally with the VA and RRB to select eligible recipients for payment, according to criteria in the ARRA and guard against duplicate payments.
- Moreover, ERPs were certified at a fixed rate of $250 for each eligible recipient and did not involve benefit computations. (From a payment accuracy perspective, this is highly significant because, historically, computation-related factors are a major cause of payment errors for the Title II and Title XVI program.)

To further support our determination that these were low risk payments and not susceptible to improper payments, to date out of the almost 53 million payments we have received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations.

An area of concern was our selection and payment of Prouty beneficiaries, beneficiaries who attained age 72 before 1972, many of whom had been in suspense status for a long time and were since deceased. Of almost 53 million ERPs, 8,208 (.02 percent) were issued to Prouty beneficiaries. We have since recovered funds for 84 percent of those payments. We expect to be reimbursed for most of the remaining payments through the “limited payability” of Treasury checks. That is, Treasury will credit us with the funds for any ERP checks that remain unnegotiated after one year from the date of issuance.

Issuing ERPs to 4,400 individuals residing in prisons was another concern. According to ARRA, an individual in prison could be eligible for the one-time $250 payment. There are certain categories of these individuals we are evaluating to verify their eligibility for ERPs. Most of the payments for the 1,500 individuals who were determined to be ineligible have already been recovered.

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SOCIAL SECURITY ADMINISTRATION

APPENDIX

GLOSSARY OF ACRONYMS

A

ACSI	American Customer Satisfaction Index
Act	Social Security Act
ADP	Automated Data Processing
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ARRA	American Recovery and Reinvestment Act
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

C

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CMS	Centers for Medicare and Medicaid Services
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross Program Recovery
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCIA	Debt Collection Improvement Act
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DOL	Department of Labor
DOT	Dictionary of Occupational Titles

E

eCAT	Electronic Claims Analysis Tool
EN	Employment Network
ERP	Economic Recovery Payments
eServices	Electronic Services
ESF	Earnings Suspense File

F

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCIA	Foster Care Independence Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMLoB	Financial Management Line of Business
FMS	Financial Management Systems
FSO	Federal Salary Offset
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GF	General Fund
GSA	General Services Administration

H

HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

I

IG	Inspector General
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board

L

LAE	Limitation on Administrative Expenses

M

MADAM	Master Data Access Method
MD&A	Management's Discussion and Analysis
MSIR	Manual Suspense Items Reinstate

N

NCC	National Computer Center
NED	Non-Entitled Debtors
NSC	National Support Center

O

OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OMB	Office of Management and Budget
O/P	Overpayment

P

PAR	Performance and Accountability Report
PDB	Public Disability Benefits
PER	Pre-Effectuation Review
PIA	Primary Insurance Amount
PP&E	Property, Plant, and Equipment
PPWY	Production Per Workyear
PTF	Payments to the Social Security Trust Funds
Pub. L. No.	Public Law Number
PwC	PricewaterhouseCoopers LLP
PY	Prior Year

Q

QDD	Quick Disability Determinations

R

Recovery Act	American Recovery and Reinvestment Act
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSI	Retirement and Survivors Insurance
RSI	Required Supplementary Information

S

SBR	Statement of Budgetary Resources
SDI	State Disability Income
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self-Employment Income
SF-133	Budget Execution Reports
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
SSN	Social Security Number
SSNAP	Social Security Number Application Process
SSNVS	Social Security Number Verification Service
SSPP	Standardized Security Profile Project

T

TBD	To Be Determined
Title II	Social Security
Title VIII	Special Benefits for Certain World War II Veterans
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
Treasury	Department of Treasury
TRO	Tax Refund Offset
TRO/TOP	Tax Refund Offset/Treasury Offset Program

U

USC	United States Code
U/P	Underpayment

V

VA	Veteran's Affairs
VoIP	Voice over Internet Protocol

W

W-2s	Wage and Tax Statements
WC	Workers' Compensation
WEP	Windfall Elimination Provision

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