A MESSAGE FROM THE COMMISSIONER

I am pleased to present the Social Security Administration's *Performance and Accountability Report* (PAR) for fiscal year (FY) 2011. I encourage you to review our FY 2011 PAR to gain a better understanding of our important programs, the challenges we face, and our hard-earned accomplishments in the last year.

FY 2011 was a challenging year for us. Our annual funding level was $1 billion below the President's request; therefore, we had to make difficult choices about where we would make cuts. Rather than propose general, across-the-board spending reductions, we prioritized our activities to maintain our most vital services and keep our doors open to the public.

Our employees are the key to our success. They are dedicated to our mission of delivering Social Security services that meet the changing needs of the public. We have been innovative and proactive in improving our business processes and adopting new technology. As a result, our employees achieved an average annual productivity increase of nearly 4 percent over the last five years.

Despite budget constraints, we remained steadfast in our commitment to eliminate the hearings backlog. In FY 2011, we completed over 45 percent more hearings than in FY 2007, and we continued to make remarkable progress on reducing the waiting time for decisions. We cut the average waiting time to below one year for the first time since FY 2003. We ended the year with an average wait of 345 days in September.

We balanced fulfilling this commitment with our other vital workloads. Despite rising numbers of disability applications, we reduced our pending initial disability claims by over 80,000 cases. We kept pace with our program integrity work, which saves taxpayers' dollars. Supplemental Security Income (SSI) non-medical redeterminations and the Access to Financial Institutions initiative have helped increase our SSI payment accuracy over the last two years.

On our 800 number, we answered customers' calls faster than ever before and cut the busy rate by nearly one-half. We continue to expand and improve our online offerings and maintain the three best electronic services in the Federal Government, as measured by the American Customer Satisfaction Index public satisfaction survey. These online offerings have been indispensible in helping us keep pace with the enormous growth in retirement and disability applications.

For the 18th consecutive year, we received an unqualified opinion on our financial statements, and our auditors reported no instances of noncompliance with laws and regulations. We have no material internal control weaknesses, and our financial and performance data in this report are reliable and complete in accordance with the Office of Management and Budget's guidance.

Once again, we have demonstrated that we have wisely used our resources to improve the service we provide and the integrity of our programs. Our focus is on achieving our strategic goals, which consist of eliminating our hearings backlog and preventing its recurrence; improving the speed and quality of our disability process; improving our retiree and other core services; and preserving the public's trust in our programs. The American people depend on us, and we need the support of the Congress to continue to deliver the level of service the public deserves.

Michael J. Astrue
Commissioner
November 7, 2011

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SSA's *FY 2011 Performance and Accountability Report* is available on the Internet at: www.socialsecurity.gov/finance

Introduction

Our *Performance and Accountability Report* (PAR) for fiscal year (FY) 2011 provides financial and performance information that enables the President, Congress, and the public to assess how we performed in accomplishing our mission and achieving our goals. We organize our report into the following major sections:

MANAGEMENT'S DISCUSSION AND ANALYSIS: *Management's Discussion and Analysis* gives an overview of our mission, organization, strategic goals and objectives, priority goals, and our FY 2011 performance measures. We highlight the FY 2011 results of our key performance measures and discuss our accomplishments and plans to achieve our mission. We provide a summary of the financial and performance information contained in subsequent sections of the PAR. We also include a synopsis of our systems, controls, and legal compliance.

PERFORMANCE SECTION: The *Performance Section* discusses the results for each of our FY 2011 performance measures according to the strategic goal and objective. We compare the targets we set for each performance measure to our actual performance during the year. In addition, we include trend data and discuss our performance. We also summarize program evaluations we conducted and their outcomes.

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. We also discuss our anti-fraud activities and provide information on our debt management activities. The *Improper Payments Information 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 13th year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting award for our FY 2010 Performance and Accountability Report. Receiving the Certificate of Excellence in Accountability Reporting is a significant accomplishment for a Federal agency, and it is the highest form of recognition in Federal financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and provides a high-level overview of the Social Security Administration (SSA). The MD&A describes who we are, what we do, and how well we meet our established goals.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. In this section, we identify the major programs we administer and provide a brief explanation of our organization.

The next section, *Overview of Our FY 2011 Goals and Results*, provides a discussion of our goals and performance measures that track our progress toward achieving our mission. This section links our agency-wide strategic goals with our priority goals; displays our FY 2011 operating expenses by strategic goal; highlights how our results contribute to achieving our strategic goals and objectives; and discusses how we plan to address the challenges we face. In addition, we discuss our progress in carrying out initiatives funded by the *American Recovery and Reinvestment Act*. We also discuss the integrity of our data, highlight audits of our performance indicators, and describe our efforts to provide reasonable assurance that reported performance information is reliable and complete.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. We provide an overview of our financial data, and explain the major sources and uses of our funds, as well as the use of these resources, in terms of both program and function. We also provide an overview of our social insurance data, discuss the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, and indicate the projections for short-term and long-term financing of the OASI and DI Trust Funds. We end this section with a summary of our progress toward addressing improper payments.

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* 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*. We also address the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

Overview of the Social Security Administration

Our Mission

Deliver Social Security services that meet the changing needs of the public

Social Security Benefits America

Few government agencies touch as many people as we do. The programs we administer provide a financial safety net for millions of Americans, and many people consider them the most successful large-scale Federal programs in our Nation's history.

Social Security initially covered retired workers. Later expansions added dependent and survivor benefits, as well as disability insurance (DI). We also administer the Supplemental Security Income (SSI) program, a Federal needs-based program financed through general revenue funds.

Old-Age, Survivors, and Disability Insurance Program

Retirement Insurance Program

The basic benefit structure of retirement benefits has remained essentially unchanged since 1939. When people work and pay Social Security taxes, they earn credits toward Social Security benefits. Most people need 40 credits, or 10 years of covered work, to qualify. Social Security taxes fund the Old-Age, Survivors, and Disability Insurance Program (OASDI) Trust Funds that we use to pay OASDI (Retirement, Survivors, and Disability Insurance) benefits.

Survivors Insurance Program

A loss of a family's primary wage earner can take a financial toll. Survivors benefits provide income to family members of workers who die. Survivors eligible for benefits include widows or widowers, minor or disabled children, and surviving divorced spouses. In 1939, we began paying survivors benefits; disabled widows and widowers benefits began in 1968.

How Social Security Benefits America for Fiscal Year 2011

- Over 60 million Social Security beneficiaries and SSI recipients received a combined total of about $770 billion
- 87 percent of the American population age 65 and over receive Social Security benefits
- Among elderly Social Security beneficiaries, 23 percent of married couples and 43 percent of unmarried individuals rely on Social Security for 90 percent or more of their income
- 69 percent of the total benefits paid go to retired workers and their dependents
- 94 percent of all workers are covered by Social Security

Disability Insurance Program

In 1956, Social Security expanded to include a disability benefit program for disabled workers ages 50-65. These changes included benefits for disabled adult children of retired or deceased insured workers. In 1960, disabled workers of all ages could apply for DI benefits. We pay benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death.

Supplemental Security Income Program

SSI is a means-tested program designed to provide a monthly payment to aged, blind, or disabled people with limited income and resources. Adults, as well as children, can receive payments based on disability or blindness.

For more information on all of our programs and benefits, please visit our Understanding The Benefits web page at www.ssa.gov/pubs/10024.html.

How We Served America in Fiscal Year 2011

- Issued 16.4 million new and replacement Social Security cards
- Performed 1.3 billion automated Social Security number verifications
- Posted 216 million earnings items to workers' records
- Completed more than 62 million transactions on our National 800 Number
- Assisted 44.9 million visitors
- Received 4.8 million retirement, survivor, and Medicare applications
- Received 3.2 million initial disability claims
- Completed 2.4 million SSI non-disability redeterminations
- Completed over 1.4 million continuing disability reviews
- Completed 3.4 million overpayment actions
- Reconsidered 828,010 denied disability applications
- Completed 126,992 Appeals Council reviews
- Conducted 644,957 hearings
- Defended 12,000 new Federal court cases
- Oversaw approximately 6.6 million representative payees
- Distributed nearly $1.4 billion in attorney fees

Our Organization

We touch the lives of nearly every American, including many people living abroad. We administer the largest social insurance system in the world. Our current organization is comprised of more than 65,000 employees. We deliver services through a nationwide network of 1,500 offices that include regional offices, field offices (including card centers), teleservice centers, processing centers, hearing offices (including satellite offices and National Hearing Centers), the Appeals Council, and our headquarters located in Baltimore, Maryland. We also have a presence in several U.S. embassies around the globe.

REGION I Boston Region	REGION II New York Region	REGION III Philadelphia Region	REGION IV Atlanta Region	REGION V Chicago Region

REGION VI Dallas Region	REGION VII Kansas City Region	REGION VIII Denver Region	REGION IX San Francisco Region	REGION X Seattle Region

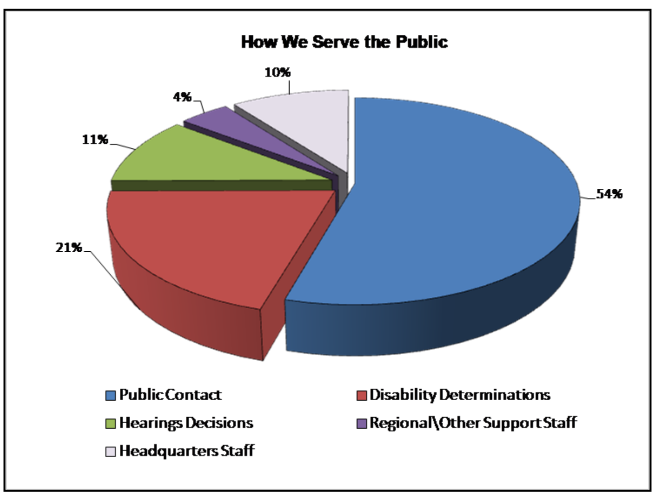
Our field offices and card centers are the primary points of contact for in-person interactions with the public. Our teleservice centers primarily handle telephone calls to our National 800 Number. Employees in our processing centers primarily process OASDI payments but also perform a wide range of functions, which include answering telephone calls to our National 800 Number. Our immediate claims taking units primarily take claims over the phone and assist with processing claims filed over the Internet. The Appeals Council and administrative law judges in our hearing offices and hearing centers make decisions on appeals of denied Social Security and SSI claims. Most of our employees serve the public directly or provide support to employees who do. We depend on over 17,066 employees in our 54 State and territorial Disability Determination Services (DDS) to make disability determinations. The accompanying table depicts the types of contact we provide to the public by office type. A chart illustrating our [organizational structure](#) and the function of each component is available on our website at [www.socialsecurity.gov/org](#).

Type of Contact with the Public

Office Type	In-Person	Local Phone Calls	National 800 Number Calls	Makes Decisions on Claims	Supporting Functions
Regional and Area Director Offices	✓	✓			✓
Field Offices	✓*	✓		✓	
Processing Centers			✓	✓	✓
Teleservice Centers			✓		✓
Immediate Claims Taking Units			✓	✓	✓
Social Security Card Centers	✓	✓			
Hearing Offices	✓	✓		✓	
National Hearing Centers	✓*	✓		✓	
Satellite Hearing Offices	✓	✓		✓	
National Case Assistance Center	✓				✓
Disability Determination Services				✓	
Headquarters					✓

*In-person contacts include video service delivery and video hearings.

Eighty-six percent of our employees serve the public directly or make decisions on benefit claims. The remaining employees support the staff who serve the public directly. Refer to the chart below for an employee breakdown by contact type.



Overview of Our FY 2011 Goals and Results

How We Manage Performance

The *Government Performance and Results Act* established the framework for agencies to communicate progress in achieving their missions. We use a performance management framework detailed in our *Agency Strategic Plan*, available at www.socialsecurity.gov/asp/plan-2008-2013.html to associate our strategic goals with related long-term outcomes and strategic objectives. Our strategic goals are:

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

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

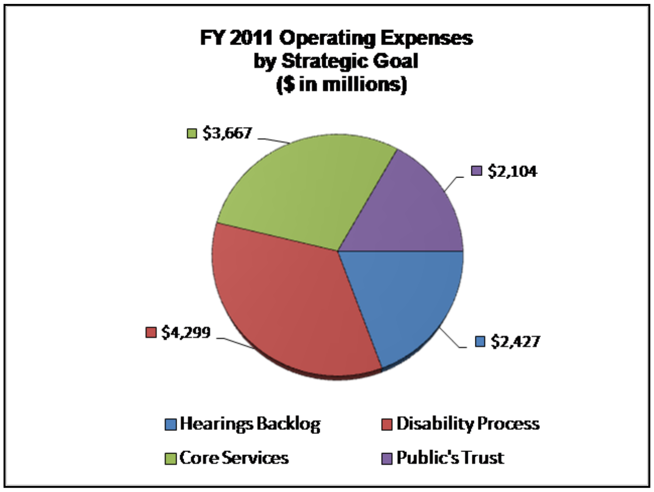
Goal 3: Improve Our Retiree and Other Core Services; and

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

Each year, we publish our *Annual Performance Plan*, which outlines our current-year tactical plans for achieving the goals and objectives outlined in our *Strategic Plan*. Our integrated budget and *Annual Performance Plan* demonstrate the connection between requested funding and planned performance. The President's fiscal year (FY) 2012 budget request included our *Annual Performance Plan for Fiscal Year 2012 and Revised Final Performance Plan for Fiscal Year 2011*, which outlined our performance commitments for FY 2011. Our FY 2012 budget request is available at www.ssa.gov/budget/2012BudgetOverview.pdf.

The *Agency Performance* section of the *Performance and Accountability Report* completes the cycle by comparing our results to planned performance for each measure contained in the *Annual Performance Plan*. It also provides a full discussion of our program evaluations conducted.

The chart below shows our FY 2011 operating expenses allocated by strategic goal.



OUR PRIORITY GOALS

The President challenged Federal agencies to cut waste, save money, and deliver better service. In response, we identified 4 Priority Goals that we expect to achieve within a 24-month period. Our Priority Goals are aggressive, and support our overarching strategic goals. We regularly review our progress, and take necessary actions to improve our outcomes and reduce costs. We provide more information on our Priority Goal performance in the *Performance Summary of Goals and Results for FY 2011* section on pages 14–17.

Priority Goals	Strategic Goal Each Priority Goal Supports	Priority Goal Targets for FY 2011
Goal 1: Increase the Number of Online Applications for Retirement and Disability The public expects the convenience of online services and we are striving to meet its demand.	Goal 2: Improve the Speed and Quality of Our Disability Process Goal 3: Improve Our Retiree and Other Core Services	• Achieve 44 percent of the total retirement claims filed online • Achieve 34 percent of the total initial disability claims filed online
Goal 2: Issue More Decisions for People Who File for Disability We continue to lower the disability backlog, complete claims more accurately, make quicker decisions for people with severely disabling conditions, and reduce the time it takes to receive a hearing decision.	Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence Goal 2: Improve the Speed and Quality of Our Disability Process	• Complete 3.273 million initial disability claims • Achieve 5 percent of all initial disability cases identified as a Quick Disability Determination or a Compassionate Allowance • Complete 815,000 hearing requests
Goal 3: Improve Our Customers' Service Experience on the Telephone, in Our Field Offices, and Online We continue to improve telephone service on our National 800 Number and increase the public's overall satisfaction with the services they receive.	Goal 3: Improve Our Retiree and Other Core Services	• Achieve an average speed of answer rate of 267 seconds on our National 800 Number • Achieve the target busy rate of 6 percent for National 800 Number calls • Achieve our overall service rating of 83.5 percent "excellent," "very good," or "good" given by people who do business with us

Priority Goals	Strategic Goal Each Priority Goal Supports	Priority Goal Targets for FY 2011
Goal 4: Ensure Effective Stewardship of Our Programs by Increasing Our Program Integrity Efforts We strengthen program integrity by minimizing improper payments and protecting program dollars from waste, fraud, and abuse.	Goal 4: Preserve the Public's Trust in Our Programs	• Complete 329,000 full medical continuing disability reviews • Complete 2.422 million SSI non-disability redeterminations • Achieve 93.3 percent SSI payments free of overpayment error • Achieve 98.8 percent SSI payments free of underpayment error • Achieve 99.8 percent OASDI payments free of overpayment error • Achieve 99.8 percent OASDI payments free of underpayment error

Performance Summary of Goals and Results for FY 2011

The following tables provide a brief overview of our performance for our 33 FY 2011 performance measures. We list the measures based on the goals and objectives they support in our *Agency Strategic Plan for FYs 2008-2013* at www.socialsecurity.gov/asp/plan-2008-2013.html and our *Annual Performance Plan for FY 2012 and Revised Final Plan for FY 2011* at www.socialsecurity.gov/performance.

Note: We published the *FY 2011 Annual Performance Plan* before we received our annual funding; therefore, those performance targets were not based on our FY 2011 appropriation. The FY 2011 targets reported here reflect performance commitments based on our annual FY 2011 funding included in Public Law 112-10, the *Department of Defense and Full-Year Continuing Appropriations Act.*

We accumulate much of our performance data based on an operating month rather than a true calendar month. An operating month cuts off on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks. Every 5 or 6 years, the fiscal year contains 53 weeks rather than the normal 52 weeks because the year is not evenly divisible by 7 days. FY 2011 is a 53-week fiscal year. The table on pages 83-84 shows our fiscal year performance for select measures through both the end of the 52nd and 53rd week. We include the 53rd week (through September 30, 2011) in the actual performance for these measures in this *Performance and Accountability Report*.

Key	
Target met or exceeded	
Target not met	
Target not met, but performance improved from previous fiscal year	
To be determined – final FY 2011 data not available	**TBD**
PG – Indicates the measure is one of our *Government Performance and Results Act* performance measures that support our Priority Goals. More information on Priority Goals is available on pages 12-13.	

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence					
Strategic Objective 1.1: Increase our capacity to hear and decide cases					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
1.1a PG	Complete the budgeted number of hearing requests	815,000	795,424*		50
1.1b	Achieve the budgeted goal for SSA hearings case production per workyear	107	109*		51
Strategic Objective 1.2: Improve our workload management practices throughout the hearings process					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
1.2a	Achieve the target number of hearing requests pending	725,000	787,190*		52
1.2b	Achieve the target to eliminate the oldest hearing requests pending	Less than 0.5% of hearing requests pending 775 days or older	0.09% of hearing requests pending 775 days or older*		53

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

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

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
1.2c	Achieve the budgeted goal for average processing time for hearing requests	365 days	360 days*	↑	53
1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending	Less than 1% of Appeals Council requests for review pending 650 days or older	0.3% of Appeals Council requests for review pending 650 days or older*	↑	54
1.2e	Achieve the target average processing time for Appeals Council requests for review	370 days	358 days*	↑	55

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 Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
2.1a PG	Achieve the target percentage of initial disability cases identified as a Quick Disability Determination or a Compassionate Allowance	5% (September only)	5.9% (September only)*	↑	56
2.1b PG	Complete the budgeted number of initial disability claims	3,273,000	3,390,936*	↑	57
2.1c	Minimize average processing time for initial disability claims to provide timely decisions	118 days	109 days*	↑	58
2.1d	Disability Determination Services net accuracy rate for combined initial disability allowances and denials	97%	Available January 2012	TBD	59
2.1e	Disability Determination Services cases production per workyear	275	287*	↑	60

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

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
2.2a PG	Achieve the target percentage of initial disability claims filed online	34%	33%*	↔	61
2.2b	Achieve the target number of initial disability claims pending	845,000	759,023*	↑	62

Strategic Objective 2.3: Regularly update our disability policies and procedures

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
2.3a	Update the medical Listing of Impairments	Develop and submit at least three regulatory actions or *Social Security Rulings*	Published two regulatory actions and one *Social Security Ruling*	↑	63

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process					
Strategic Objective 2.3: Regularly update our disability policies and procedures					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
2.3b	Increase the percentage of disability cases evaluated using health Information Technology	500% above FY 2010 baseline (18,000)	108% above FY 2010 baseline* (6,235)	⇔	63
2.3c	Number of Disability Insurance and Supplemental Security Income disability beneficiaries, with Tickets assigned, who work	114,310	Available July 2012	TBD	64
2.3d	Number of Disability Insurance and Supplemental Security Income disability beneficiaries who earned four quarters of work credit during the calendar year	774,048	Available December 2012	TBD	65

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 Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
3.1a	Percent of retirement, survivors, and health insurance claims receipts completed up to the budgeted level	100% (4,590,000)	106% (4,877,955)*	⬆	66
31.b PG	Achieve the target percentage of retirement claims filed online	44%	41%*	⇔	67
Strategic Objective 3.2: Provide individuals with accurate, clear, and up-to-date information					
We do not have an FY 2011 performance measure under this strategic objective.					
Strategic Objective 3.3: Improve our telephone service					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
3.3a PG	Achieve the target speed in answering National 800 Number calls	267 seconds	180 seconds	⬆	68
3.3b PG	Achieve the target busy rate for National 800 Number calls	6%	3%	⬆	69
Strategic Objective 3.4: Improve service for individuals who visit our field offices					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
3.4a PG	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	83.5%	81.4%	⇔	70
Strategic Objective 3.5: Process our Social Security number workload more effectively and efficiently					
Performance Measure		**FY 2011 Target**	**FY 2011 Actual**	**Target Achieved**	**Page #**
3.5a	Achieve the target percentage for correctly assigning original Social Security numbers	99%	Available May 2012	TBD	71

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

Strategic Objective 4.1: Curb improper payments

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
4.1a PG	Complete the budgeted number of Supplemental Security Income non-disability redeterminations	2,422,000	2,456,830*	⬆	72
4.1b PG	Increase the budgeted number of continuing disability reviews	1,357,000	1,408,897	⬆	73
4.1c PG	Percent of Supplemental Security Income payments free of overpayment and underpayment error	Overpayment 93.3%**	Available June 2012	TBD	75
		Underpayment 98.8%	Available June 2012	TBD	
4.1d PG	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error	Overpayment 99.8%	Available April 2012	TBD	76
		Underpayment 99.8%	Available April 2012	TBD	
4.1e	Increase the number of transactions received through the Access to Financial Institutions program	500,000	2,048,678	⬆	78

Strategic Objective 4.2: Ensure privacy and security of personal information

We do not have an FY 2011 performance measure under this strategic objective.

Strategic Objective 4.3: Maintain accurate earnings records

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
4.3a	Reduce the target percentage of paper Forms W-2 completed	15.5%	14.4%	⬆	79

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

We do not have an FY 2011 performance measure under this strategic objective.

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

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
4.5a	Receive an unqualified audit opinion on SSA's financial statements	Receive an unqualified opinion	Received an unqualified opinion	⬆	80

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

Performance Measure		FY 2011 Target	FY 2011 Actual	Target Achieved	Page #
4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles	75% of FY 2011 inventory replaced (28 vehicles)	75% of FY 2011 inventory replaced (28 vehicles)	⬆	80
4.6b	Develop and implement an agency Environmental Management System	Establish performance objectives	Established performance objectives	⬆	81

***FY 2011 actuals based on data through the 53rd week.**

****Our *Annual Performance Plan* and *Congressional Justification*, issued in February 2011, reflected the FY 2011 SSI overpayment accuracy rate target as 92 percent. Because of the lag in producing actual performance data, we did not receive FY 2010 SSI overpayment accuracy data until June 2011. The increase in our FY 2010 accuracy rate prompted us to revise our FY 2011 target to 93.3 percent.

Summary of FY 2011 Performance

The following 13 pages highlight our accomplishments and the practices and initiatives we used to meet our goals in FY 2011. We discuss key issues that affected our FY 2011 operations and those issues that we anticipate will affect our future operations. We also identify which Priority Goal supports each strategic goal and show our overall performance measure results.

STRATEGIC GOAL 1
ELIMINATE OUR HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

Strategic Objectives	Supporting Priority Goal
• Increase our capacity to hear and decide cases • Improve our workload management practices throughout the hearings process	*Issue More Decisions for People Who File for Disability* **Overall Performance Measure Results** • Met the target for 5 of 7 measures • Did not meet the target for 2 of 7 measures

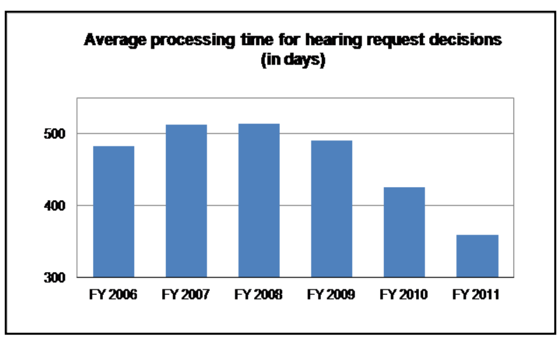
Eliminating our hearings backlog remained our top priority in FY 2011. We completed over 45 percent more hearing requests in FY 2011 than we did in FY 2007 before the recession began. We dramatically reduced the claimants' wait time for a hearing decision down to 345 days in September, the lowest level since FY 2003. In addition, we eliminated virtually all of our oldest hearing requests pending over 750 days. When we began executing our backlog reduction plan in FY 2008, only 49 percent of cases were pending less than 270 days versus 71.5 percent in FY 2011.

A hearing, which is the second step in our four-step appeals process, affords a claimant due process. Generally, there are four levels of appeal:

- Reconsideration by the Disability Determination Service (DDS);
- Hearing by an administrative law judge (ALJ);
- Review by the Appeals Council; and
- Federal Court review.

At the beginning of FY 2011, we had 111,792 pending hearings level cases that would be 775 days old or older by the end of the fiscal year. We reduced the 111,792 to 103 cases by the end of FY 2011.

In FY 2011, we received 859,514 requests for hearings, an all-time high. With our technology enhancements and increased capacity to hear and decide cases, we completed 795,424 hearing requests, our highest annual total to date. We averaged 360 days to issue a hearing decision, which is over 5 months faster than in FY 2008 (refer to accompanying chart). We are still on track to meet our goal to reduce the time it takes a person to receive a hearing decision to an average of 270 days in September 2013.



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

We continue to increase our capacity to hear and decide cases through the following initiatives.

Open New Hearing Offices: We originally planned to open 16 new hearing offices in FY 2011, but budget cuts forced us to cut that number in half. We opened or expanded eight hearing offices in these locations: Moreno Valley, CA; Augusta, GA; Lawrence, MA; Columbia, MO; Jersey City, NJ; Reno, NV; Franklin, TN; and Tacoma, WA.

In FY 2011, we operated National Case Assistance Centers (NCAC) in St. Louis, MO and McLean, VA. The NCACs provide support services, such as preparing cases for hearings, writing hearing decisions, and helping to fill ALJ hearing dockets to capacity. In early FY 2011, our NCACs began working on two new workloads for our Office of Appellate Operations: (1) non-disability cases and (2) writing assistance. However, due to budget cuts, we had to close our McLean NCAC in late FY 2011.

Administrative Law Judge Hiring: In FY 2011, we hired 143 ALJs and more than 900 associated support staff to help us hear and decide more cases.

Expand Video Hearing Capacity: Video hearings give us the flexibility to distribute our hearing workload more efficiently. We use video hearing technology to reduce the travel time for all hearing participants. Video hearings allow the ALJ, the claimant, and any other hearing participants to attend the hearing via video teleconferencing from separate locations.

All of our hearing offices, permanent remote hearing sites, and some field offices are equipped to hold video hearings. Claimant representatives can buy their own video equipment if they and their clients want to participate in the hearing at their own office as long as we certify the claimant representative's video equipment. In FY 2011, we held almost 130,000 video hearings nationwide, over 9,000 more video hearings than in FY 2010.

Attorney Adjudicator Initiative: This initiative allows our most experienced adjudicators to make fully favorable on-the-record disability decisions without a hearing. If a claimant's case meets our disability definition, the attorney adjudicator writes the decision and adjudicates the claim. This initiative allows ALJs to work on cases that are more complex and require a hearing. While the majority of attorney adjudicators are senior attorneys working in hearing offices, attorney adjudicators also include regional attorneys, and other attorneys who are also hearing office directors or group supervisors.

We also have Virtual Screening Units, which include attorney adjudicators stationed at their home offices who devote 100 percent of their time screening cases to determine if they can make a fully favorable on-the-record decision. In FY 2011, attorney adjudicators decided 53,464 cases.

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

We used new technologies to improve our workload management practices throughout the hearing process. These technologies helped us complete, control, clear, and assess the quality and policy compliance of cases at all stages of the appeals process more quickly and easily. The new technologies also decreased ALJ decision time, allowing us to pay benefits more quickly after a favorable hearing decision.

Award-winning Training Program

We received the *2011 W. Edwards Deming Outstanding Training Award* for excellence in workforce development and training for our Office of Appellate Operations’ training program. The award recognizes our training initiatives that significantly increased our productivity, timeliness, and quality. The training enabled new analysts to become productive more quickly and reach decisions on more than 100,000 disability appeals. The training also provided experienced analysts with learning forums.

Use of the Standardized Electronic Business Process: Our electronic business process (eBP) unified the different processes hearing offices used. This unification helped us improve our workload management practices throughout the hearing process, improving our accuracy and timeliness. In FY 2011, we completed training on our standardized eBP in all hearing offices in existence prior to FY 2010. We also implemented the eBP in our national hearing centers.

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

Strategic Objectives

- Fast-track cases that obviously meet our disability standards
- Make it easier and faster to file for disability benefits online
- Regularly update our disability policies and procedures

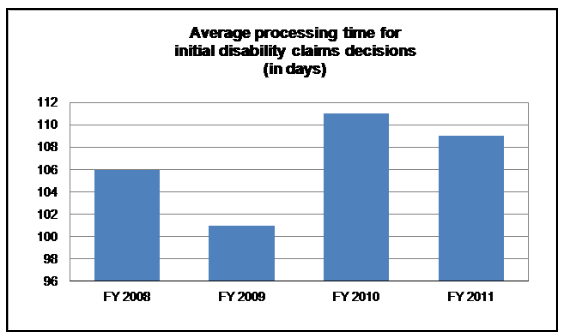
Supporting Priority Goals

Increase the Number of Online Applications for Retirement and Disability; Issue More Decisions for People Who File for Disability

Overall Performance Measure Results

- Met the target for 6 of 11 measures
- Did not meet the target for 2 of 11 measures
- Final data not available for 3 of 11 measures

We continue to work diligently to improve the speed and quality of our disability process. In FY 2011, we received 3,257,461 initial disability claims, the highest number in our history, and over 32,793 more than in FY 2010. Even with the increase in receipts, we completed a record number of initial disability claims this year, 3,390,936. We exceeded our goal by more than 117,936 claims. Despite the rise in disability claims receipts, we were even able to decrease our average processing time by two days compared to FY 2010 (refer to the accompanying chart).



Despite losing 1,134 DDS employees and being unable to replace them due to budget constraints, we were able to exceed our initial disability claims goals because all of the new employees we hired in FY 2009 and FY 2010 had become fully productive.

Strategic Objective 2.1:
Fast-track Cases that Obviously Meet our Disability Standards

Improve the Efficiency of our Disability Process: We use our Quick Disability Determination and Compassionate Allowance processes to expedite benefits to claimants whose medical conditions are so serious that they obviously meet our disability standards. These automated processes help our staff tackle the increased volume of initial disability cases we are receiving. The Quick Disability Determination process uses a computer-based predictive model to analyze specific information in electronically filed disability applications to identify those cases where a favorable disability determination is highly likely and medical evidence is readily available, such as low birth-weight babies, certain cancers, and end-stage renal disease.

The Compassionate Allowance process uses software to more quickly identify claimants whose medical conditions clearly qualify for disability benefits based on objective medical evidence.

We identified about 153,000 fast-track cases in FY 2011 using these predictive models. In September 2011, we had 5.9 percent of initial disability claims that qualified for fast-track processing. In FY 2011, we also shortened the disability application process for people whose medical condition qualifies under the Compassionate Allowance rules so that they will not need to provide information on their work and educational histories.

Increase Use of Electronic Records Express: Electronic Records Express helped us provide faster service to people applying for disability benefits. It allows medical facilities and educational institutions to electronically submit health and school records to our secure website instead of mailing paper documents.

In FY 2011, we received 2,926,081 Electronic Record Express submissions compared to 2,397,601 submissions in FY 2010. More information is available in our Electronic Express leaflet at www.socialsecurity.gov/pubs/10046.html.

Support the Military Casualty Initiative: We worked collaboratively with the Department of Veterans Affairs (VA) and the Department of Defense (DOD), along with advocates and military treatment facilities, to inform and assist wounded service members, and their families to file for disability benefits. We also conducted outreach to surviving members of fallen soldiers. The following summarizes the initiatives we contributed to in FY 2011 to support military casualties:

- **Veterans Affairs Regional Office Pilot:** The VA frequently requests copies of the medical documentation we use in an individual's disability claim. Beginning in 2008, with the St. Louis, MO Veterans Affairs Regional Office (VARO), we piloted a secure electronic process for providing the medical information. The VARO Pilot showed a reduced average response time for the receipt of medical records. As a result, we are expanding the process to all 57 VA offices. We plan full implementation in FY 2012, with a provision that this process meets the VA's needs throughout the rollout.
- **Department of Veterans Affairs Outreach Initiative:** We continued working with the VA to increase the awareness of our benefits and programs to veterans and their families. We distributed the VA's pamphlet, *A Summary of VA Benefits,* in our field offices nationwide and the VA distributed our outreach materials, such as our leaflet, *Expediting Disability Applications for Wounded Warriors*, in its more than 500 facilities nationwide.

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

To handle the anticipated increase in disability benefit applications and meet the public's growing expectation for convenient, efficient, and secure electronic service options, we created a new, easy-to-use online application. In FY 2011, nearly 33 percent of the disability applications filed were online compared to 27 percent in FY 2010. We also streamlined the *Adult Disability Report* in January 2010, and this improvement contributed to the increased use of online applications. The *Adult Disability Report* collects information regarding disabling conditions, medical sources, and employment and education history.

STRATEGIC OBJECTIVE 2.3: REGULARLY UPDATE OUR DISABILITY POLICIES AND PROCEDURES

We regularly update our disability policies and procedures to keep up with the rapid advances in medical information. Using the methods below, we continued to modernize our disability decision-making processes to provide better service to the public.

Update the Medical Listing of Impairments: One of the most effective tools we have for adjudicating disability claims is the *Listing of Impairments*, which describes for each major body system the impairments that meet our definition of disability. Using the *Listing of Impairments*, we can determine a claimant's disability status when his or her impairment meets specified criteria without the need to consider age, education, or work experience. Our use of the *Listing of Impairments* improves the consistency and accuracy of our decisions throughout all levels of the disability process.

In FY 2011, we published a final rule in the *Federal Register* for endocrine disorders. The rule removed the prior *Listing of Impairments* and provided a new one for children from birth to age six, who have diabetes mellitus and require daily insulin.

Increase the Percentage of Disability Cases Using Health Information Technology: The healthcare industry is using information technology (IT), and developing standards for the content and sharing of electronic medical records to enable more efficient and effective delivery of healthcare. We are leveraging this effort, known as *health IT*, to obtain more quickly the medical records needed to support disability determinations, and to more efficiently manage that information. We have already demonstrated, in live production, the capability to reduce the time it takes us to obtain and process the more than 15 million medical records we request from medical providers each year. *Health IT* fully automates the request, response, and initial processing of medical evidence. It provides the disability examiner with decision support when data received indicate the presence of certain medical conditions defined in our *Listing of Impairments*.

The amount of time it takes us to complete a disability claim will continue to decrease as the number of treating sources exchanging information using *health IT* increases. In FY 2010, we awarded 12 contracts to various medical networks and providers to expand the use of *health IT* to exchange medical records in 11 States. Under these contracts, in FY 2011, selected providers with numerous facilities began to exchange electronic medical records with Wisconsin, Washington, California, Oregon, Illinois, and Texas. In FY 2012, we plan to exchange medical records with selected providers in five additional states (Indiana, Minnesota, Idaho, New Mexico, and Michigan).

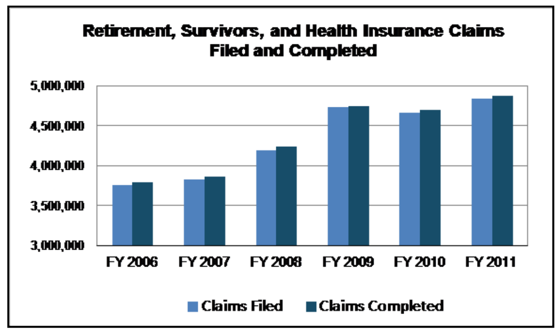
In addition, in FY 2011, we continued to expand the decision support capabilities of *health IT* by mapping additional diagnoses and procedure codes to our *Listing of Impairments*. We also continue to participate actively in national *health IT* efforts to ensure our business needs are met. We continued our collaboration with the Department of Health and Human Services, VA, and DOD, as well as other Federal and State agencies, healthcare providers, and insurers, to develop and implement interoperable standards-based clinical coding, report formatting, and transfer protocols for the electronic storage and exchange of medical records.

Continue to Develop an Occupational Information System: We rely on the occupational information found in the *Dictionary of Occupational Titles* to determine whether claimants can do their past work or any other work in the United States economy. The Department of Labor created the *Dictionary of Occupational Titles* but no longer updates this document. We continue to work jointly with the Department of Labor and other Federal agencies to create an occupational information system to replace the *Dictionary of Occupational Titles*.

STRATEGIC GOAL 3
IMPROVE OUR RETIREE AND OTHER CORE SERVICES

Strategic Objectives	Supporting Priority Goals
• Dramatically increase baby boomers' use of our online retirement services • Provide individuals with accurate, clear, and up-to-date information • Improve our telephone service • Improve service for individuals who visit our field offices • Process our Social Security number workload more effectively and efficiently	*Improve Our Customers' Service Experience on the Telephone, in Our Field Offices, and Online*; *Increase the Number of Online Applications for Retirement and Disability* **Overall Performance Measure Results** • Met the target for 3 of 6 measures • Did not meet the target for 2 of 6 measures • Final data not available for 1 of 6 measures

We have increased online services and made better use of technology to meet the growing demands of the public.



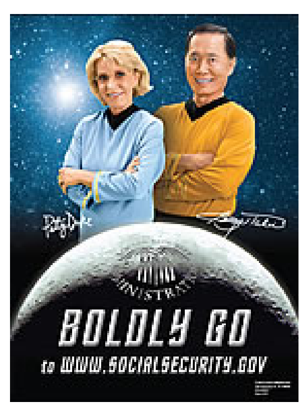
In FY 2011, we completed more than 4.8 million retirement, survivors, and health insurance claims (refer to the accompanying chart). An increasing number of these claims are being submitted over the Internet, which is becoming a preferred service channel for growing numbers of the public. This important service delivery channel allows the public to conduct business at their convenience and at their own pace, without the need to visit a field office or meet with an agency representative.

Claims submitted online require less data collection time and our employees can focus on review and processing of the claims. The time saved can be applied to more complicated cases. Trained agency employees review every online application and contact applicants if there are any questions. Our internal studies indicate that the service provided over the Internet is as high in quality as that provided through traditional service channels. As the number of retiring baby boomers grows, increasing the number of claims filed online is integral to delivering good customer service.

In FY 2011, we took the steps discussed below to improve our retiree and other core services.

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

Over the next 20 years, nearly 80 million baby boomers will apply for retirement benefits. Some of our efforts to provide convenient, user-friendly, multi-lingual automated services include the following:



Expand Marketing Efforts: In FY 2011, to promote our online services, we launched a new marketing campaign called "Boldly Go," with celebrity spokespersons Patty Duke and George Takei. We developed several "Boldly Go" public service announcements that air at no cost on hundreds of television networks nationwide, as well as Social Security TV (SSTV) in almost 600 of our field offices. As of September 30, 2011, our "Boldly Go" television public service announcements aired more than 60,000 times, were viewed more than 560 million times, and had an estimated free media value of more than $12 million.

We also feature the "Boldly Go" campaign, on our website at www.socialsecurity.gov, our Facebook page at www.facebook.com/socialsecurity, our Twitter page at www.twitter.com/socialsecurity, and our YouTube page at www.youtube.com/socialsecurityonline. We issued a national press release and conducted nationwide media outreach. We also expanded our use of ads displayed on billboards, buses, and in airport terminals.

In FY 2011, we received 999,203 retirement applications online and 289,418 Medicare-only applications online. Although the percentage of retirement applications filed online increased to nearly 41 percent, from nearly 37 percent the prior fiscal year, we did not meet our target to have 44 percent of all retirement claims filed online. In FY 2012, we will concentrate our advertising efforts on more targeted audiences.

Additional information about our online services is available on our website at www.socialsecurity.gov/. Our multi-lingual (English and Spanish) public service announcements on our press office web page are available at www.socialsecurity.gov/pressoffice/psa-video.html.

Launch a Spanish Version of the Ready Retirement Estimator: Our Retirement Estimator, which uses a person's Social Security earnings record to provide an immediate and personalized benefit estimate, has consistently ranked among the top rated eServices across government and private sector sites as measured by the American Customer Satisfaction Index (ACSI). ACSI, an industry standard, is one of the measures we use to gauge customer satisfaction with our online services.

In FY 2011, we launched a Spanish version of the Retirement Estimator. The Retirement Estimator is the first of our online services made available in Spanish, and we are working to make our online retirement, disability, Medicare-only, and Medicare Extra Help applications available in Spanish in FY 2012. Our Spanish tools provide a broader audience with the important information they need to plan for a secure retirement. You may access the Spanish Retirement Estimator at www.segurosocial.gov/espanol/calculador/.

Support Americans Living Abroad: In FY 2011, we added our Nonresident Alien Tax Withholding Screening Tool to our website. Using this tool, U.S. citizens living in other countries can determine if tax withholding applies to their benefits by answering "yes" or "no" to a series of questions about citizenship, residency, and the type of benefits they receive.

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

It is important that people receive accurate, clear, up-to-date information so they can make informed decisions about applying for benefits, appealing a decision, or making changes to their records, such as marital status or name changes. Notices are one of the main ways we communicate with the public. Each year, we issue about 315 million notices. In our notices, we tell people our decisions, how much their payments will be, and other important information.

Notice Improvements: In FY 2011, we implemented a new system, which allowed us to create more accurate, standardized notices and more notices in Spanish. We improved the letters the DDSs send to disability applicants to explain our disability process, and we improved the structure, tone, and readability of the notices we send to accept hearing requests. We improved the language in our Medicare outreach and Medicare premium notices, and we added language to our award notices to explain the potential for tax liability.

New Large Print and Braille for the Blind or Visually Impaired Notices: Our special notice options allow people who are blind or visually impaired to receive notices in various formats, including Braille or on a compact disc. In May 2011, we added large print and audio compact discs as new options.

We implemented a survey during the fall 2011 to measure satisfaction with our special notice options. We will report the results of the survey in the *FY 2012 Performance and Accountability Report*.

More information about notices for blind and visually impaired individuals is available at www.socialsecurity.gov/notices.

Audio Publications Project: We offer English and Spanish audio publications on our website. These publications are available in MP3 format and can be accessed using Windows Media Player and Quick Time, which are commonly used media software. Currently, 92 of our English-language notices are available in this format. In FY 2011, we added 83 Spanish audio publications. Our English-language publications are available on our English-language electronic publications web page at www.socialsecurity.gov/pubs/audio/audio.html. Our Spanish publications are available on our Spanish electronic publications web page at www.segurosocial.gov/espanol/audio/audio-es.html.

STRATEGIC OBJECTIVE 3.3: IMPROVE OUR TELEPHONE SERVICE

For many people, the first contact with us is by telephone – a primary service option that is easily accessible and convenient. When callers reach us through our National 800 Number or our local field offices, they can use our self-help telephone services or speak directly with a representative. In FY 2011, we processed more than 62 million actions on our National 800 Number. For National 800 Number calls, a person has the option to speak to a telephone agent or use our automated services. Our automated services are available 24 hours a day, 7 days a week. We provide callers with services, such as answering questions about Social Security benefits, scheduling appointments, getting information from their Social Security records, and changing their address. We continuously improve our telephone services, as discussed below.

Expand Field Office Telephone System Replacement Project: Our Telephone System Replacement Project is a multi-year project continued in FY 2011 to replace our aged local stand-alone telephone systems in over 1,200 field offices and 162 hearing offices across the country. The new system includes Voice over Internet Protocol, a single system that carries voice and data over one line, which saves administrative costs and supports future technological improvements. Voice over Internet Protocol provides a new capability to re-route calls during disasters and other emergencies. At the end of FY 2011, we completed installation of our Telephone System Replacement Project in about 93 percent of our field offices and 95 of our hearing offices.

Replace Our National 800 Number Infrastructure: In FY 2011, we began implementation of Citizens Access Routing Enterprise through 2020 (CARE2020), a replacement of our National 800 Number telecommunications infrastructure. CARE2020 features a single Voice over Internet Protocol system. We expect to implement CARE2020 fully in FY 2012.

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

In FY 2011, about 45 million people visited our field offices. To serve the public better, we continue to improve our field offices. Below we summarize a few of our efforts in FY 2011 to improve service for individuals who visit our field offices.

Expand Video Service Delivery: Video Service Delivery allows video conferencing between two or more sites. It increases service availability and helps us reduce travel costs and lost work hours. We offer two types of video services: (1) office-to-office and (2) office-to-video partner site. An office-to-office connection allows a field office to assist another busy or understaffed office via video. Office-to-video partner Video Service Delivery enables us to provide service to people located at remote sites, such as American Indian Tribal centers, local community centers, senior centers, hospitals, and homeless shelters, as well as improve service in our busy inner-city offices and rural areas. In FY 2011, we equipped 59 sites with Video Service Delivery equipment. We now have a total of

422 SSA sites and video partner locations with video equipment. We will expand Video Service Delivery in FY 2012, if funding allows.

Expand Social Security TV: We use SSTV as a communications tool to improve the public's experience in our field offices. SSTV plays informational broadcasts in our reception areas to provide office visitors with information about our programs and services. SSTV allows us to deliver information in several languages. In FY 2011, we updated public service announcements aired on SSTV, and added content related to protecting personally identifiable information and the "America Saves" initiative. We now have 577 offices with SSTV. We plan to install SSTV in additional field offices in FY 2012, budget permitting.

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

The Social Security number (SSN) allows us to properly credit a worker's earnings. We use earnings to determine potential eligibility for and the amount of benefit payments. Annually, we complete about 6 million original and 11 million replacement Social Security card applications. We also verify SSNs more than one billion times a year through a variety of electronic exchanges with public and private organizations. In FY 2011, we began assigning SSNs randomly to help protect the integrity of the SSN and increase the available pool of numbers for assignment. We also supported the following initiatives:

Support E-Verify: We continue to work with the Department of Homeland Security (DHS) to make its E-Verify program more efficient and easier to use. E-Verify is a DHS voluntary program that allows registered employers to electronically verify the eligibility of newly hired employees to work in the United States. The program allows us to use information collected and verified by the State and by DHS. Our responsibility is to provide SSN verification and citizenship information to DHS.

In FY 2011, we implemented new E-Verify alerts. These alerts allow us to identify visitors who have received an E-Verify Tentative Non-Confirmation because of a data mismatch. The new alerts help us to process this workload more effectively and efficiently. More information is available on the U.S. Citizenship and Immigrations services E-Verify web page at www.dhs.gov/E–Verify.

Expand Enumeration at Entry: This program allows immigrants to apply for SSNs with the Department of State (DOS) as part of the visa application process. We used information collected and verified by both the DOS and the DHS to automatically issue an original or replacement Social Security card to permanent residents who enter the United States lawfully. In FY 2011, we developed software enhancements that prevent issuing multiple SSNs to the same person. We continue working with the DOS and the DHS to expand the program to additional classifications of non-citizens.

STRATEGIC GOAL 4
PRESERVE THE PUBLIC'S TRUST IN OUR PROGRAMS

Strategic Objectives

- Curb improper payments
- Ensure privacy and security of personal information
- Maintain accurate earnings records
- Simplify and streamline how we do our work
- Protect our programs from waste, fraud, and abuse
- Use "green" solutions to improve our environment

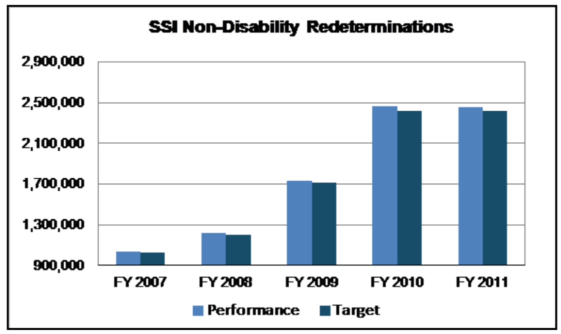
Supporting Priority Goal

Ensure Effective Stewardship of Our Programs by Increasing Our Program Integrity Efforts

Overall Performance Measure Results

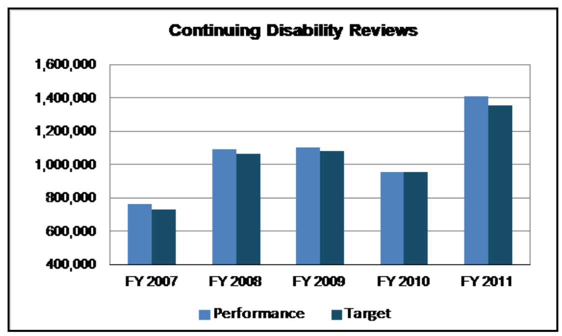
- Met the target for 7 of 9 measures
- Final data not available for 2 of 9 measures

We take great pride in being good stewards of the tax dollars entrusted to us and ensuring we protect our programs from waste, fraud, and abuse. Two of our most effective program integrity tools are SSI non-disability redeterminations and medical continuing disability reviews (CDR).



Recent estimates indicate redeterminations provide a return-on-investment of better than $7 in program savings over 10 years for every $1 spent, including savings accrued to Medicaid. In FY 2011, we completed 2,456,830 redeterminations saving valuable taxpayer dollars.

We increased the number of completed medical CDRs to ensure we pay disability benefits only to those who continue to meet our disability requirements. We completed 1,408,897 CDRs in FY 2011 (refer to the accompanying chart). Like redeterminations, CDRs are highly cost effective; historically, every $1 spent on CDRs produces at least $10 in lifetime program savings.



The following includes our additional efforts to preserve the public's trust in our programs.

STRATEGIC OBJECTIVE 4.1:
CURB IMPROPER PAYMENTS

We take seriously our responsibility to curb improper payments. The following are among strategies we employed in FY 2011 to prevent and detect payment errors:

Expand the Access to Financial Institutions Project: The Access to Financial Institutions (AFI) project allows us to verify financial account balances electronically and to identify undisclosed bank accounts that may result in suspension of SSI payments. In FY 2011, we completed our nationwide roll-out of AFI and plan to integrate it with our automated SSI claims system in FY 2012.

Promote Use of the SSI Telephone Wage Reporting System: Wages continue to be a major source of payment error in the SSI program because we do not always receive accurate or timely wage information. We established a dedicated telephone number to allow those recipients and their representative payees to report monthly wages by calling in and using a combination of touch-tone entry and voice-recognition software.

Our software system automatically enters the wage data into the SSI system. This process is more efficient than having the recipient visit a field office where we manually enter wage information into our system. The improved efficiency from the SSI Telephone Wage Reporting System (SSITWR) allows our employees to process wage information early enough to adjust the next SSI check before it is issued, thereby preventing improper payments.

We are currently conducting a Payee Outreach pilot. In FY 2011, we mailed notices to a sample of representative payees for working SSI recipients. The notice asks the representative payee to report the recipient's wages to us through SSITWR. Based on the positive results of electronic reporting in the SSI program, we plan to expand telephone wage reporting to Social Security Disability Insurance (SSDI) beneficiaries. This new initiative will allow SSDI beneficiaries to report their earnings through an automated telephone system similar to SSITWR system. We believe automated telephone wage reporting may help reduce wage-related overpayments in the SSDI program. More information is available on our Spotlight on SSI Telephone Wage Reporting web page at www.socialsecurity.gov/ssi/spotlights/spot–telephone–wage.htm.

Expand the Use of Electronic Death Data Exchange with Foreign Governments: In FY 2011, we expanded the electronic death data exchange with foreign governments to ensure we do not pay benefits to deceased people who resided overseas. We began an exchange with Sweden, negotiated a new Memorandum of Understanding with Italy, and conducted discussions with Belgium and Canada. We also signed Memorandums of Understanding with South Korea and Germany. As of FY 2011, under our network of international totalization agreements, we have regularly recurring, reciprocal exchanges with Australia, the Netherlands, and Sweden. We plan to expand automated reciprocal death data exchanges to all 24 totalization agreement partners over a 3-year period. More information about U.S. international Social Security agreements is available at www.socialsecurity.gov/international/agreements_overview.html.

Continue Our Centenarian Project: In an effort to reduce improper payments, we also schedule face-to-face interviews with beneficiaries age 103 and older to verify payment eligibility. In FY 2011, we completed over 9,000 interviews and detected over $8.7 million in overpayments due to unreported deaths.

STRATEGIC OBJECTIVE 4.2: ENSURE PRIVACY AND SECURITY OF PERSONAL INFORMATION

We are committed to ensuring privacy and security of personal information and we continue to place special emphasis in this area. In FY 2011, we conducted security authorizations for 8 of our major IT systems and tested annual security controls for all of our remaining 21 major IT systems.

In January 2011, we promoted National Data Privacy Day with a program dedicated to raising employee awareness about the importance of data privacy, individual privacy rights, and the prevention of improper use or disclosure of personally identifiable information.

In FY 2011, we conducted our Information Security Awareness Training for all of our employees with access to agency information or systems. We supplemented this training with an interactive security training session for all employees.

We worked together with our internal and external partners to develop privacy policies for social media tools and emerging technology, such as cloud computing. These policies are essential for maintaining public trust as the public interacts with us through social media, and as we consider moving systems to cloud platforms.

STRATEGIC OBJECTIVE 4.3: MAINTAIN ACCURATE EARNINGS RECORDS

In FY 2011, we posted 216 million items to workers' records. It is critical that earnings records are accurate because we base Social Security benefits on a worker's lifetime earnings. Posting items to workers' records is a complex and labor-intensive workload due to such factors as unreported name changes, employer errors, and the misuse of SSNs. We place wage items we cannot match with a record in our Earnings Suspense File.
In FY 2011, we were able to match over 691,000 items in the Earnings Suspense File with the correct workers'

earning records for a total of over $4.9 billion in earnings. Following are some of the activities we were involved in to help maintain accurate earnings records in FY 2011:

Increase Electronic Wage Report Filing: In FY 2011, we continued to reduce paper wage reports and to migrate to an electronic wage reporting process. Annually, we receive approximately 4 million paper wage reports from employers that contain over 32 million paper Forms W-2. To replace the more error-prone, labor-intensive, and expensive-to-process paper wage reports, we continued to encourage employers and third party submitters to use our Business Services Online Electronic Wage Reporting suite of services to file Forms W-2 electronically for their employees and customers. We informed employers about electronic wage reporting through online information and resources, promotional materials, payroll conferences, articles in trade publications, and direct contact. Additionally, we continued to work with the Internal Revenue Service (IRS) to improve all aspects of wage reporting.

Implement the Earnings Redesign Initiative: We continued to transform our earnings process from paper to electronic, which supported timely wage postings, increased the accuracy of posted earnings, and improved the verification of SSNs processes. In FY 2011, we improved the system that processes self-employment earnings, and we initiated activities to integrate the redesigned SSA/IRS System Reconciliation process into the Earnings Case Management System. We also continued a series of system upgrades for processing Forms W-2, along with planning and analysis for a system redesign.

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

We continue to look for ways to simplify and streamline how we do our work to keep pace with our growing workloads and to provide the best service possible. In order to meet the growing needs of the public we serve, we moved many of our business processes to an electronic environment. We also worked with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. Additionally, we expanded the use of our Integrated Disability Process, a multi-component initiative, to identify issues and unify disability policy and procedures. Using cross-component Integrated Disability Process workgroups of subject matter experts, we developed the following solutions:

- **Past Relevant Work:** We use a five-step sequential evaluation process to determine if a claimant meets our disability criteria. We determined that in situations where there is little documentation related to past relevant work (Step 4), we could put that step on hold and move to Step 5 to determine if the claimant can perform other work that exists in the national economy. If the claimant can perform work at Step 5, then the claim is denied without the need to address Step 4. If we determine at Step 5 that the claimant cannot perform work, then we return to Step 4 to develop the necessary documentation and make a decision.
- **Medical Source Statement:** The Medical Source Statement project workgroup considers how we obtain and use medical source statements. The workgroup recommended a regulatory change allowing adjudicators greater flexibility to recontact medical sources to clarify or resolve inconsistencies or insufficiencies in medical evidence. In FY 2011, we published a Notice of Proposed Rulemaking in the *Federal Register*, which provides the recommended flexibility. After we receive and consider public comments from the Notice of Proposed Rulemaking, we will publish a final regulation.
- **Unified Disability Training:** Unified Disability Training (UDT) provides basic policy training materials and lessons that give employees insight into how their work relates to other components. It eliminates the need for components to develop and maintain their own similar disability training program. The training material is in a modularized format that is useful for entry-level and in-service training for all agency disability related components and the DDSs. In FY 2011, we announced the availability of our internal UDT website that will serve as a repository for all "core" disability training.

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

We maintain a strong detection and prevention program to deter those who attempt to obtain benefits through fraud and abuse. Through our collaborative efforts with other Federal agencies, we investigate and prosecute fraud, expand forensic computer crime detection capabilities, and strengthen fraud prevention by adding new checks and balances in our processes. In FY 2011, we did the following to protect our programs from waste, fraud, and abuse:

Use Cooperative Disability Investigations Units: We have 24 Cooperative Disability Investigations (CDI) units, which help us protect our programs from fraud, waste, and abuse. Our CDI program is a collaborative effort with our Office of the Inspector General, the DDSs, and local law enforcement and has been very effective in finding fraud in our disability programs. Since its inception through September 2011, the CDI program efforts nationwide have resulted in $1.9 billion in projected savings to our SSDI and SSI programs and $1.2 billion to non-SSA programs, such as Medicare and Medicaid. In FY 2011, CDI investigations led to the denial or termination of 3,315 claims, $281.2 million in savings to our SSDI and SSI programs, and $182.5 million to non-SSA programs. In FY 2011, we opened three new CDI Units: Salt Lake City, UT; Oklahoma City, OK; and Lexington, KY.

Develop Tools to Fight Against Fraud: We receive numerous documents to help us establish a person's age, identity, and citizenship or lawful alien status. We must remain continually watchful for altered or fraudulent documents. Our Document Verification website is available 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 submitted documents.

Conduct Onsite Security Control and Audit Reviews: We continue to conduct ongoing Onsite Security Control and Audit Reviews to make sure our field offices, teleservice centers, processing centers, DDSs, and hearing offices follow our established policies and procedures. These reviews help us prevent and detect waste, fraud, and abuse. The reviews identify problems before they lead to significant deficiencies. After a review, our office managers must submit a corrective action plan for each deficiency identified.

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

We fully support the President's Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*, which makes it mandatory for Federal agencies to conduct their environmental, transportation, and energy-related activities in a fiscally sound and sustainable manner. In FY 2011, our successes in this area include:

- Reduced emissions;
- Recycled excess wood furniture;
- Increased purchase of renewable energy;
- Revised our *Strategic Sustainability Performance Plan*;
- Initiated an agency-wide sustainability awareness campaign;
- Replaced 28 gasoline-powered vehicles with alternative-fuel vehicles;
- Established performance objectives for an agency Environmental Management System;
- Continued to be one of the lowest water users per gross square foot in the Federal Government; and
- Implemented *Power Management*, a nationwide initiative that allows centralized management of computer power.

Looking Forward − Facing Our Challenges

While we continue to make progress in achieving our strategic goals and objectives, we have significant challenges ahead. Due to the economic downturn and the aging of the baby boomers, our workloads have been skyrocketing. Addressing this workload boom, while reducing our improper payments, is clearly our biggest challenge. In FY 2011, we received over 660,000 more initial disability claims and over 270,000 more hearing requests compared to FY 2008, representing increases of 26 percent and 46 percent, respectively.

The retirement wave and the disproportional number of our employees at or near retirement age will test our ability to process these growing workloads. We ended FY 2011 with over 3,000 fewer employees than we had at the beginning of the year. The budget uncertainty that we experienced in FY 2011 hampered our ability to replace these employees. Our challenges will be exacerbated if we are not properly funded in FY 2012 and beyond.

Sound planning and our employees' hard work have served us well as we continue to take on these challenges. To help States with mounting disability claims, we will continue to utilize our recently created Extended Service Teams. The Extended Service Teams are located in DDSs that have a history of good quality and high productivity. These centralized DDS teams will help us reduce the initial claims backlog as we electronically shift claims to them from the hardest hit DDSs. We have also expanded our Federal capacity to decide disability claims. We have many units around the country that assist those DDSs most adversely affected by the increase in initial claims. In FY 2011, the Extended Service Teams and Federal units processed 160,951 claims.

To the extent we can, we plan to hire in FY 2012 with a particular focus on ALJs and support staff. We will also look for opportunities to temporarily redirect our support staff to front line operations. For example, employees in our Office of Quality Performance will continue to screen disability hearings to determine if a decision can be fast-tracked.

From a more long-term perspective, we continue developing our Disability Case Processing System. This system will merge the current State and Federal DDSs systems into one unified system. In FY 2012, we will begin a pilot test in the Idaho DDS. We will then test in Illinois, Missouri, Nebraska, and New York DDSs. Between FY 2013 and FY 2014, we will rollout this system nationally.

Reducing improper payments remains one of our biggest challenges. The President's FY 2012 budget includes several legislative proposals that will simplify and streamline how we do our work, allowing us to avoid many of the improper payments that occur today. The Work Incentives Simplification Pilot proposal will allow us to conduct a pilot project that examines the effects of replacing complex Disability Insurance work incentive provisions with a clear, simple, unified process that is both easier to understand and easier to administer. Another proposal related to workers' compensation will allow us to develop and implement a system to collect information on workers' compensation recipients from States and private insurers. We will use this information to adjust benefits as appropriate to prevent improper payments.

American Recovery and Reinvestment Act of 2009

The *American Recovery and Reinvestment Act* (Recovery Act) *of 2009* provided us with administrative funding to carry out the following three initiatives.

1. **$500 Million for Addressing Disability and Retirement Workloads**

   The Recovery Act provided us $500 million to handle steep increases in our disability and retirement workloads, cover related IT costs, and make investments in *health IT*. We spent $147.1 million of Recovery Act funding in FY 2009 and another $347.7 million in FY 2010 to sustain higher staff and overtime levels, which improved our ability to complete additional requests for hearings and address our increasing disability and retirement workloads.

2. **$90 Million for Administering the Economic Recovery Payments**

   The Recovery Act provided for a maximum one-time Economic Recovery Payment of $250 to individuals who were eligible for Social Security or SSI benefits or both during any one of three months (November 2008, December 2008, or January 2009). We issued the one-time payments totaling $13.2 billion to over 53 million beneficiaries and SSI recipients. We spent $37.9 million of Recovery Act administrative funding in FY 2009 primarily to explain the payment to the public. In FY 2010, we spent $2.8 million to pay the salaries and benefits of employees responding to public inquiries concerning Economic Recovery Payments and issuing "catch-up" payments. We spent less than $1 million in FY 2011 to complete this work. In FY 2010, Congress rescinded $47 million of the $90 million allocated to us for Economic Recovery Payments as part of Public Law 111-226, *FAA Air Transportation Modernization and Safety Improvement Act*.

3. **$500 Million for our National Support Center and for Related Equipment**

   The Recovery Act provided $500 million to construct a new National Support Center. This new facility will increase our computer infrastructure and storage capacity, which are critical for us to support technological advancements, such as *health IT*, and enable us to maintain demographic and benefit information. Through FY 2011, we obligated nearly $391 million of the Recovery Act funding for planning, selecting and purchasing the site, and initiating the design of the facility. We will use the remaining funds to begin equipping the new facility. The General Services Administration plans to complete the construction and final building commissioning in FY 2015.

More information is available on our Recovery Act web page at www.socialsecurity.gov/recovery/.

How We Ensure Our Data Integrity

We remain committed to providing clear, reliable, and valid data for management decision-making and oversight. We have internal controls in place to ensure that our data are quantifiable and verifiable. Our internal controls include:

- Ongoing data quality reviews;
- Audit trails;
- Reviews at all levels of management;
- Restricted access to sensitive data; and
- Separation of duties.

We designed these controls to safeguard the integrity and quality of our vast data resources and provide assurances that our data contain no material inadequacies. These same controls support the Commissioner's *Federal Managers' Financial Integrity Act* Assurance Statement. Refer to the *Systems and Controls* section of this report on page 43 for more information about the *Federal Managers' Financial Integrity Act.*

Data Integrity Systems and Controls

We gather data for our performance measures using automated management information and other workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and work samples, which provide confidence levels of 95 percent or higher.

We also review the accuracy of OASDI and SSI payments. We select a representative sample of records to review and we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility. These reviews are our primary measure of quality for agency performance and they provide an overall payment accuracy rate.

Audit of Our FY 2011 Financial Statements

The *Chief Financial Officers Act of 1990* requires the Office of the Inspector General (OIG), or an independent external auditor that it selects, to audit our financial statements. The OIG selected Grant Thornton, LLP to conduct the FY 2011 audit. The audit concluded that our financial statements present fairly, in all material respects, our financial position. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Both the OIG's transmittal letter and the Grant Thornton, LLP audit report appear in the *Auditor's Reports* section of this report.

Role of the Office of the Inspector General

The OIG plays a key role in protecting our programs and operations from waste, fraud, and abuse by conducting independent and objective audits, evaluations, and investigations. The OIG provides timely, useful, and reliable information and advice to agency officials, Congress, and the public.

The OIG's Office of Audit conducts performance audits of our programs and operations and makes recommendations to make sure we achieve our program objectives. In addition, the OIG conducts audits of our performance indicators to ensure our established performance measures comply with the *Government Performance and Results Act*. In FY 2011, the OIG issued three audits that evaluated nine of our *Government Performance and Results Act* performance indicators.

The objective of these audits was to:

- Comprehend and document our sources of data for the specific performance measure the OIG has selected for review;
- Identify and test critical controls (both electronic data processing and manual) of systems that generated the specified performance data;
- Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the specified performance measure; and
- Recalculate each performance measure to ascertain its accuracy.

The OIG did not identify any significant findings related to the internal controls, adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for six of the performance indicators audited. The OIG did not identify any significant findings for the remaining three performance indicators audited; however, there were three instances where we could not provide data related to the internal controls over the systems supporting the performance indicator, and two instances where we could not provide the underlying data related to the adequacy, accuracy, reasonableness, completeness, and consistency of the performance indicator. We do not have a requirement to maintain these data, and we believe it would be too costly to do so.

In FY 2011, the OIG also issued the results of an audit that reviewed whether our key programs and activities critical to achieving our four strategic goals were addressed by our FY 2010 performance indicators, and if so, whether those indicators were objective, understandable, and outcome-based. The auditors' opinion was that three performance indicators did not measure or assess the relevant output, service levels, and outcomes of our key programs in FY 2010. Additionally, the auditors concluded that of our 27 performance indicators in the FY 2010 PAR, 23 were objective, 23 were understandable, and 12 were outcome-based. Although we disagreed with several of the OIG's audit recommendations, we adopted some of their recommendations.

These audit reports are located on the Office of the Inspector General web page at oig.ssa.gov/audits-and-investigations/audit-reports/2010-10--2011-09.

HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unqualified opinion on our financial statements from Grant Thornton, LLP. Our financial 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 benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 99 through 150 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2009 through 2011 (excluding key amounts from our Statement of Social Insurance and Statement of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the *Overview of Social Insurance Data* section).

Table of Key Financial Measures[1]
(Dollars in Billions)

Net Position (end of fiscal year)			
	2011	2010	2009
Total Assets	$2,702.3	$2,635.5	$2,553.6
Less Total Liabilities	$96.6	$95.9	$94.8
Net Position (assets net of liabilities)	$2,605.7	$2,539.6	$2,458.8
Change in Net Position (end of fiscal year)			
	2011	2010	2009
Net Costs	$782.7	$752.3	$731.6
Total Financing Sources[2]	$848.9	$833.0	$863.0
Change in Net Position	$66.1	$80.8	$131.3

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position.

Balance Sheet: The Balance Sheet displayed on page 100 presents our assets, liabilities, and net position. Total assets for FY 2011 are $2,702.3 billion, a 2.5 percent increase over the previous year. Of the total assets, $2,687.2 billion primarily relates to earmarked funds for the OASI and DI programs and approximately 98.2 percent are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. Investments increased $68.2 billion over the previous year primarily due to tax revenues of $580.9 billion, and interest on those investments of $115.2 billion.

Liabilities grew in FY 2011 by $0.7 billion primarily because of the growth in benefits due and payable. The majority of our liabilities (85.1 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 $66.1 billion to $2,605.7 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 101 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of Payments to Social Security Trust Funds appropriations and also contains non-material activities.

In FY 2011, our total net cost of operations increased $30.4 billion to $782.7 billion, primarily due to the first wave of baby boomers attaining retirement age. The percent increase in net cost for our 3 major programs are: OASI 3.3 percent; DI 4.9 percent; and SSI 11.7 percent. Operating expenses increased for each of our 3 major programs by 7.6 percent, 8.4 percent, and 11.0 percent for OASI, DI, and SSI, respectively.

In FY 2011, our total benefit payments increased by $29.9 billion, a 4.0 percent increase. The table below provides the benefit payment information, number of beneficiaries, and the percentage change for these benefit items during FY 2011 and FY 2010 for each of our three major programs. SSI disbursements are generally made on the first day of each month; however, since October 1, 2011 falls on a Saturday, the October 2011 SSI benefit payments were paid in September, as required by law. Since there was no cost of living increase payable in 2011, the monthly maximum SSI benefits for eligible individuals remained unchanged.

Benefit Changes in Our Major Programs During Fiscal Years 2011 and 2010

	FY 2011	FY 2010	% Change
OASI			
Benefit Payments	$593,047	$574,223	3.3%
Average Benefit Payment (per month)	$1,118.46	$1,106.91	1.0%
Number of Beneficiaries	44.6	43.6	2.3%
DI			
Benefit Payments	$127,471	$121,598	4.8%
Average Benefit Payment (per month)	$926.92	$921.50	0.6%
Number of Beneficiaries	10.5	10.0	5.0%
SSI			
Benefit Payments	$49,041	$43,844	11.9%
Monthly Maximum Benefit Amount	$674.00	$674.00	0.0%
Number of Beneficiaries	8.1	7.9	2.5%

Note:

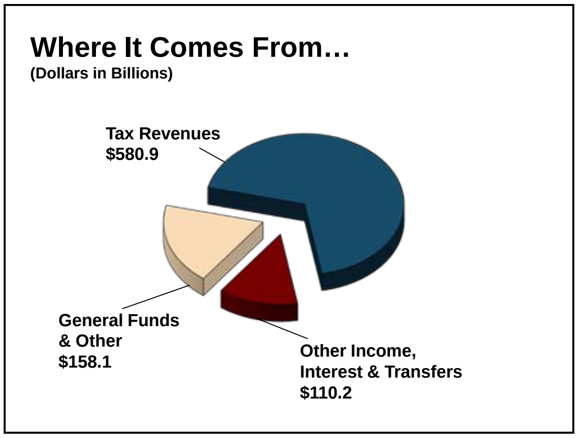
1. Benefit payments and the number of beneficiaries are presented in millions.
2. The average benefit payment per month for OASI and DI programs and the monthly maximum benefit amount for the SSI program are presented in actual dollars.

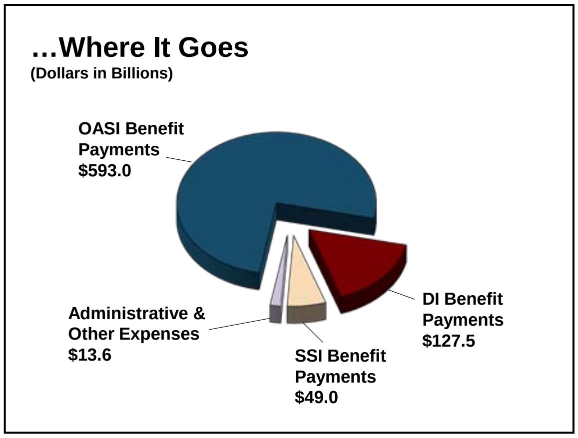
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 102 reflects the changes that occurred within cumulative results of operations and unexpended appropriations. The statement shows an increase of $66.1 billion in the net position of the agency, which is attributable to financing sources in excess of the agency's net cost. At this time, tax revenues, interest earned, and transfers related to Payroll Tax Holiday legislation continue to exceed benefit payments made to OASI and DI beneficiaries, keeping the agency's programs solvent. The Payroll Tax Holiday legislation provides employees a one-year reduction in *Federal Insurance Contributions Act* tax withholdings, reducing rates from 6.2 percent to 4.2 percent for the 2011 tax year (January-December). In order to avoid harming the OASI and DI Trust Funds, the legislation also provides the transfer of funds by Treasury from general revenues to the OASI and DI Trust Funds. This activity will result in decreased tax revenues and increased transfers for FY 2011 on the financial statements. We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits.

When we need funds 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 1.8 percent.

In FY 2011, total financing sources increased by $15.9 billion to $848.9 billion. The $848.9 billion in total financing sources from the Statement of Changes in Net Position will not match the total financing sources in the chart "Where It Comes From…" as seen below. The activity in the chart includes $0.4 billion in exchange revenue, which is reported on the Statement of Net Cost. The primary sources for this increase are tax revenue, interest revenue, and Payroll Tax Holiday transfers received in FY 2011.

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 2011.

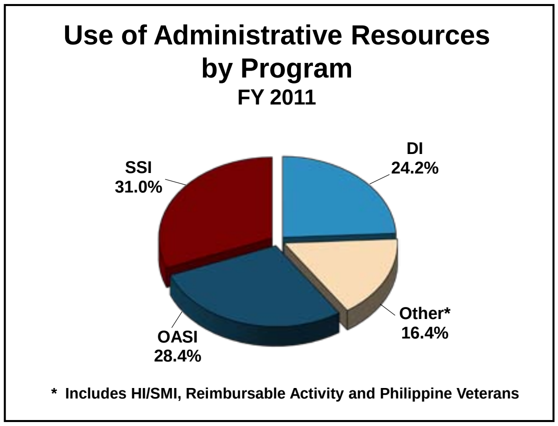




Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 103 provides information on the budgetary resources available to the agency for the year and shows the status of those resources at the end of FY 2011. The statement shows that we had $907.3 billion in budgetary resources, of which $0.9 billion remained unobligated at year-end. We recorded total net outlays of $784.3 billion by the end of the year. Budgetary resources grew $108.7 billion, or 13.6 percent from FY 2010, while net outlays increased $30.1 billion, or 4.0 percent.

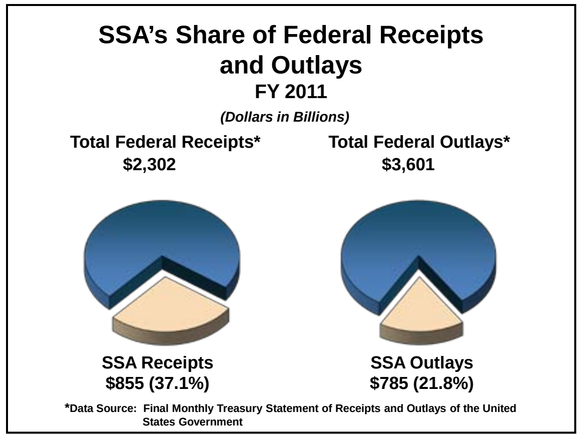
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2011 in terms of the programs we administer or support. Although the DI program comprises only 16.6 percent of the total benefit payments we make, it consumes 24.2 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.4 percent of the total benefit payments we make, it consumes 31.0 percent of annual administrative resources. State Disability Determination Services handle 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 2010 use of administrative resources by program was 27.9 percent for the OASI program, 23.6 percent for the DI program, 29.6 percent for the SSI program, and 18.9 percent for Other.



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 37.1 percent of the $2.3 trillion in total Federal receipts, a decrease of 1.9 percent over last year as payroll tax collections declined, offsetting increases in Federal income tax collections. Outlays decreased by 0.1 percent to 21.8 percent of Federal outlays.



Overview of Social Insurance Data

Table of Key Social Insurance Measures[1]
(Dollars in Billions)

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
(calendar year basis)

	2011	2010	2009
Present value of future net cashflows for current and future participants over the next 75 years (open group measure), current year valuation	-$9,157	-$7,947	-$7,677
Present value of future net cashflows for current and future participants over the next 75 years (open group measure), prior year valuation	-$7,947	-$7,677	-$6,555
Change in present value	-$1,211	-$270	-$1,123

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

Statement of Social Insurance: As displayed on page 104, the Statement of Social Insurance presents the following estimates:

- The present value of future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age and the future cost of providing scheduled benefits to those same individuals;
- The present value of future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age and the future cost of providing scheduled benefits to those same individuals;
- The present value of future noninterest income less future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the assets in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of noninterest income to be received from or on behalf of future participants and the cost of providing scheduled benefits to those same individuals; and

- The present value of future noninterest income less future cost for the open group, which represents 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, *plus* the assets in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The present value of future net cashflows (noninterest income less cost) for all current and future participants over the next 75 years (open group measure) becomes more negative when changing to the new valuation period. The present value changed from -$7.9 trillion, determined as of January 1, 2010, to -$9.2 trillion, determined as of January 1, 2011. Including the combined OASI and DI Trust Fund assets increases this open group measure to -$6.5 trillion for the 75-year valuation period. The comparable closed group measure, which includes the combined OASI and DI Trust Fund assets, is -$18.6 trillion.

Statement of Changes in Social Insurance Amounts: The Statement of Changes in Social Insurance Amounts displayed on page 105 reconciles the change (between the current valuation period and the prior valuation period) in the present value of future noninterest income less future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

The present value as of January 1, 2011 would have decreased (become more negative) by $0.4 trillion due to advancing the valuation date by one year and including the additional year 2085. Changes in demographic data, assumptions, and methods further decreased the present value of future net cashflows by $0.7 trillion and changes in economic data, assumptions, and methods decreased the present value by $0.1 trillion. However, changes in programmatic data, assumptions, and methods revisions in assumptions increased the present value of future cashflows by about $0.1 trillion. There was no significant cashflow effect from legislative changes.

OASI AND DI TRUST FUND SOLVENCY

Pay-As-You-Go Financing

The OASI and DI Trust Funds are deemed 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 remained relatively constant at around 42.4 months from the end of FY 2007 to the end of FY 2010, followed by an estimated decline to 41.6 months at the end of FY 2011.

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

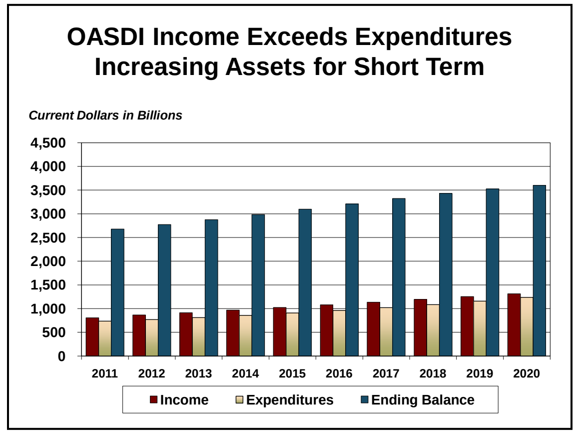
	2007	2008	2009	2010	2011
OASI	46.3	46.8	47.5	47.9	47.7
DI	23.9	22.0	19.7	17.1	14.1
Combined	42.4	42.4	42.5	42.4	41.6

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

Note: Values for 2010 and 2011 are estimates that are based on 2011 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 2011 Trustees Report indicate that the OASI and DI Trust Funds, on a combined basis, are adequately financed over the next 10 years. (Financing of the DI Trust Fund is inadequate, and, without remedial action, the fund is expected to be exhausted in 2018.) Under the intermediate assumptions of the 2011 Trustees Report, OASDI estimated expenditures and income for 2020 are 74 percent and 68 percent higher than the corresponding amounts in 2010 ($713 billion and $781 billion, respectively). From the end of 2010 to the end of 2020, assets are projected to grow by 38 percent, from $2.6 trillion to $3.6 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. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2036, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. Under current law, when either the OASI or DI Trust Fund exhausts, full scheduled benefits cannot be paid on a timely basis upon exhaustion. Tax revenues are projected to be sufficient to support expenditures at a level of 77 percent of scheduled benefits after the combined OASI and DI Trust Fund exhaustion in 2036, declining to 74 percent of scheduled benefits in 2085.

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 $6.5 trillion, which is 2.1 percent of taxable payroll and 0.7 percent of Gross Domestic Product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

(1) Increasing payroll taxes;

(2) Slowing the growth in benefits;

(3) Finding other revenue sources (such as 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.

Significant uncertainty surrounds the estimates for the Statement of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near-term and ultimate assumptions used in the projections. For more information, pages 138 through 150 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 99 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 (OMB), 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.

Summary of Improper Payments Information

BACKGROUND

The *Improper Payments Information Act of 2002* (IPIA) requires Federal agencies to report annually on programs that are susceptible to significant improper payments and on the actions they are taking to reduce such payments. President Obama signed the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) into law on July 22, 2010. IPERA amends IPIA, and expands our accountability, transparency, and reporting responsibilities related to improper payments. IPERA also added a requirement that we report on our payment recapture auditing efforts.

OMB guidance on implementation of IPIA requires that we report on improper payments information for the OASI and DI programs, in addition to the SSI program. We report identified OASI and DI improper payments even though the levels of improper payments in these programs have continually been well below the percentage threshold for reporting improper payments. On April 14, 2011, OMB issued guidance on implementing IPERA.

RECOVERY AUDIT PROGRAM

For our OASI, DI, and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through our ongoing program integrity efforts. This approach complies with IPERA requirements for payment recapture audits.

We also use an existing in-house recovery audit program for administrative contractual payments. To enhance internal controls over administrative payments, we will award a payment recapture audit contingency contract in early FY 2012 to review our administrative payments. We will report on the results of that contract in FY 2012.

AGENCY EFFORTS AND FUTURE PLANS

We have multiple controls and processes in place to prevent, detect, and recover improper payments. As required by IPERA, effective FY 2012, we are also holding managers, program officials, and senior executives accountable for reducing improper payments. For affected employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent improper payments, detect and recover improper payments, and meet targets to reduce improper payments.

We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review a sample of OASI, DI, and SSI cases to determine payment accuracy rates. Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as other reporting requirements to monitoring authorities. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for current and previous reporting periods.

For the past five years, OASDI payments were highly accurate. However, the sheer magnitude of OASDI payments, approximately $696 billion in FY 2010, means that even a small percentage of error will result in substantial dollar error. In FY 2010, the OASDI accuracy rate was 99.6 percent for overpayments based on improper payments totaling a projected $2.722 billion (i.e., 99.6 percent of all dollars paid were free of overpayment errors). Accuracy for OASDI underpayments was 99.8 percent based on unpaid dollars projected at $1.788 billion (i.e., underpayment dollar errors, as a percentage of total dollars paid, were 0.25 percent). Comparable accuracy rates for FY 2009 were 99.6 percent for overpayments and 99.9 percent for underpayments. The change in the overall OASDI overpayment accuracy rate is not statistically significant; however, the difference in the overall underpayment accuracy rates from FYs 2009 to 2010 is a statistically significant decline. While significant, the overall underpayment rate changed by only 0.16 percentage points. Each tenth of a percentage point in payment accuracy represents about $696 million in OASDI program outlays.

For the SSI program, payments free of overpayment error increased over a five-year period, FY 2006 through FY 2010, from 92.1 percent to 93.3 percent, respectively. In FY 2010, the SSI accuracy rate was 93.3 percent for overpayments based on improper payments totaling a projected $3.344 billion (i.e., 93.3 percent of all dollars paid were free of overpayment errors). This represents an increase of 1.7 percentage points over the FY 2009 overpayment accuracy rate of 91.6 percent; a statistically significant increase. FY 2010 accuracy for SSI underpayments was 97.6 percent based on unpaid dollars projected at $1.227 billion (i.e., underpayment dollar errors, as a percentage of total dollars paid, were 2.4 percent). This represents a statistically significant decrease of 0.8 percentage points from FY 2009 when SSI payments were 98.4 percent free of underpayment error based on underpaid dollars totaling a projected $787 million. For FY 2010, each tenth of a percentage point in payment accuracy represents about $50 million in SSI program outlays.

Below are examples of initiatives to improve payment accuracy in the OASDI and SSI programs. We provided additional information, as well as other corrective actions we have taken, in the *Improper Payments Information Detailed Report* in the *Other Accompanying Information* section.

Examples of OASDI Improper Payment Initiatives

- To address errors due to Substantial Gainful Activity, we prioritize the systems enforcement alerts we use to identify unreported earnings, and then work the cases with highest earnings first to minimize overpayments.
- We conducted an ongoing match with the Office of Personnel Management to identify Federal retirees receiving a Civil Service Retirement System pension. This initiative addresses accurate computation of beneficiaries' earnings.
- We modified the Earnings Alert System to allow adjudicators to identify and develop irregularities on the earnings record, which are likely to affect the worker's benefit payment.
- We submitted a legislative proposal in the FY 2012 President's Budget that requires State and local governments and private insurers to share Workers' Compensation payment information.

Examples of SSI Improper Payment Initiatives

- In June 2011, we completed expansion of Access to Financial Institutions (AFI) nationwide; three months earlier than our target date of September 2011. AFI allows us to verify financial account balances electronically and to identify undisclosed bank accounts that may result in suspension of SSI payments. We can now apply AFI processes to all of our SSI applicants and recipients.
- We recruited additional users to the SSI Telephone Wage Reporting initiative we implemented in FY 2008. SSI Telephone Wage Reporting allows recipients (or their parent, spouse, or representative payee) to report their monthly wage amounts via a completely automated system that ensures that we timely adjust the monthly payment.
- We expanded the living arrangement variables in the SSI Redetermination Scoring Model. The addition of these living arrangement variables to the model will reduce errors due to living arrangements, and we expect to save at least $200 million each year by improving how we target SSI redeterminations.

SYSTEMS AND CONTROLS

Management Assurances

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT
FISCAL YEAR (FY) 2011

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, 2011 was operating effectively and found no material weaknesses 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, 2011.

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, 2011.

Michael J. Astrue
Commissioner
November 7, 2011

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 completion.

Our managers are responsible for ensuring effective internal control in their areas of responsibility. We require senior-level executives submit an annual statement to the Commissioner providing reasonable assurance that functions and processes under their areas of responsibility were functioning as intended and there were no major weaknesses that would require reporting, or a statement indicating they could not provide such assurance. 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 FMFIA and other related legislative and regulatory requirements. If we identify a major control weakness, the Executive Internal Control committee determines if the weakness is a material weakness that they would need to forward 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 management reviews the new or changed processes and systems to certify the controls are in place. We test the controls prior to full implementation to ensure they are effective.

We identify management control issues and weaknesses 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. These reviews evaluate the adequacy and efficiency of our operations and systems, and provide an overall assurance 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.

Please refer to the *Summary of Financial Statement Audit and Management Assurances* located in the *Other Reporting Requirements* section for more information.

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. We conduct these reviews at our field offices, processing centers, hearings offices, and at the State Disability Determination Services. These reviews indicate 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 inventory and to conduct reviews to ensure financial management systems meet Federal requirements. In addition to our financial systems, we also include all major programmatic systems in this financial management systems inventory. On a five-year cycle, an independent contractor performs detailed reviews of our financial management systems. During FY 2011, 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 our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2011. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2011 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.

Please refer to the *Summary of Financial Statement Audit and Management Assurances* located in the *Other Reporting Requirements* section for more information.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with Grant Thornton, LLP for the audit of our FY 2011 financial statements. The auditor found we present fairly the basic financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America for Federal entities. The auditor also found 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 auditor did identify certain deficiencies in internal control, that when aggregated, they considered a significant deficiency. The auditors found that 1) we did not consistently comply with policies and procedures to reassess, periodically, the content of security access profiles; 2) some employees and contractors had system access in excess of access required to complete their job responsibilities; and 3) certain mainframe configurations increased the risk of unauthorized access.

Grant Thornton, LLP recommends SSA management improve policies and procedures that require a periodic review of the content of the agency's security profiles, improve controls to test and monitor configurations on the mainframe and network operating system environments, and improve procedures that require on-going monitoring of implemented configurations to identify and address security risks. We concur with the recommendations, and we will continue to work to improve the overall effectiveness of our security controls.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to ensure adequate security protections for Federal information systems and information. Under this act, Federal agencies must submit annual FISMA reports to OMB. This year's report is due by November 15, 2011. Our report summarizes the results of the agency's security reviews of major information systems and programs, progress on correcting identified weaknesses, and the results of other work performed during the reporting period using OMB's performance measures. There are currently several bills pending in Congress to strengthen FISMA. As Congress considers new security legislation, we will strive to meet and exceed existing information security requirements for protecting Federal information systems and information, including personally identifiable information.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

Over the years, we have worked hard to improve our financial management practices. We continue to develop new initiatives to 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 Governmentwide and internal financial management milestones established for improvement.

Annually, we review and update our financial management systems inventory to reflect the most recent status of our systems modernization projects. We categorize our inventory of twelve financial management systems under the broad categories of Program Benefits, Debt Management, or Financial/Administrative, and continue the long-term development of our financial management systems following a defined strategy.

In the Program Benefits category, we are streamlining systems and incorporating new legislative requirements.

In the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt. We developed an External Collection Operation (ECO) system to help recover program overpayments through the Treasury Offset Program, credit bureau reporting process, and Administrative Wage Garnishment process. We have continued to improve the ECO system through an initial three-phased approach. Phase I, implemented in July 2010, enabled us to collect delinquent Supplemental Security Income (SSI) debts from a population of debtors previously excluded from the automated ECO selection process. Next, we have secured information technology resources to embark on Phase II of the ECO enhancements in FY 2012, which will allow us to collect delinquent debts by offsetting Federal payments through the Treasury Offset Program beyond the current 10-year statute of limitations, as authorized by Public Law 110-246 and 31 United States Code 3716. Finally, as resources permit, we will then pursue implementation of Phase III to collect delinquent debts by offsetting applicable State payments through the Treasury Offset Program.

In May 2011, we improved existing overpayment controls for the SSI program by implementing a process that automatically records any existing overpayments on newly created supplemental security records. This process will help ensure we properly account for, report, and resolve SSI overpayments. In addition, when this new process cannot automatically record an existing overpayment on a newly created supplemental security record, it alerts our employees to manually resolve the overpayment on an individual's SSI account.

In the Financial/Administrative category, we implemented the Social Security Online Accounting and Reporting System (SSOARS), a federally-certified accounting system based on Oracle Federal Financials, as our System of Record on October 1, 2003. In FY 2011, we implemented the Oracle Governance Risk and Compliance Controls Software Suite. The Governance Risk and Compliance Controls Software Suite provides real-time control over user access, provides segregation of duties policies and changes to key SSOARS configurations, and enables us to implement SSOARS enhancements in a transparent and more cost-effective manner.

We have standardized our web services to eliminate duplication of code and to establish a common gateway for the SSOARS Service-Oriented Architecture. This effort has allowed us to establish a standard framework for all future integrations with both internal and external systems, thereby reducing long-term maintenance costs and improving operational efficiency. We implemented business activity monitoring giving subject matter experts more control over the applications, and a service registry that provides technical data about the SSOARS Service-Oriented Architecture environment.

We also integrated the Internet Payment Platform (IPP) with the accounting system. The IPP is a secure web-based electronic invoicing and payment information system provided by the Department of the Treasury's Financial Management Service. The IPP allows agencies to transform existing paper-based order-to-pay processes into a streamlined electronic flow by sending electronic Purchase Orders to suppliers, receiving electronic invoices from suppliers, and for invoice routing and approval workflow. The integration of the IPP is an example of how we have adopted the latest guiding principles for system modernization by embracing common automated solutions for transaction processing.

In keeping with the directives in OMB Memorandum, M-10-26, *Immediate Review of Financial Systems IT Projects*, we continue to follow the prescribed guidelines and best practices to implement system improvements by: a) using an incremental approach that focuses on the latest technology, b) meeting critical agency business needs, and c) closely monitoring project schedule and cost. Although the accounting system is in a "steady-state" status, we continue to maintain current operational efficiencies through product upgrades, incremental enhancements, and application extensions that increase labor efficiencies and performance and maintain the integrity of the data.

PERFORMANCE SECTION

AGENCY PERFORMANCE

Introduction

In fiscal year (FY) 2011, we focused our attention and resources on mission critical workloads and programs. We achieved success with these workloads by focusing on our 4 overarching strategic goals, their supporting 16 strategic objectives, and 33 performance measures with related targets. We explained these goals, objectives, measures, and targets in detail in our *Annual Performance Plan for Fiscal Year 2012 and Revised Final Performance Plan for Fiscal Year 2011* online at www.socialsecurity.gov/budget/2012APP.pdf. This section of our *Performance and Accountability Report* documents our performance and provides brief discussions about actions that supported our performance in FY 2011. We do not expect to receive final data for 6 of our 33 performance measures until 2012. We will report the results for those measures in our *FY 2012 Performance and Accountability Report*. We have data for 27 of our performance measures. In spite of our resource constraints and increased workloads in FY 2011, we met 21 of 27 performance measure targets. Our overall success rate for our FY 2011 targets was 78 percent. Our success depended upon our dedicated staff, innovative technology initiatives, streamlined procedures, and increased productivity.

Our employees are pivotal assets in carrying out our mission. By strategically managing, engaging, and aligning staff, we ensure that we have a workforce of highly dedicated and motivated employees who are committed to providing outstanding public service. We align our human capital management strategies with our mission, goals, and organizational objectives and integrate them into our strategic and performance plans.

The performance data presented in this section complies with the guidance provided in the following Office of Management and Budget (OMB) Circulars:

- OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* and
- OMB Circular No. A-136, *Financial Reporting Requirements.*

The section entitled, *How We Ensure Our Data Integrity*, on page 33 describes our continuing efforts to enhance the quality and timeliness of our performance data to increase its value to our management and other interested parties. Our executives routinely use this performance data as a tool to improve the quality of our program management, make data-driven decisions, and demonstrate our accountability for achieving expected program results.

FY 2011 Performance Measures By Goal and Objective

In this section, we:

- List our 33 FY 2011 performance measures, organized by strategic goal and objective. For each performance measure, we provide our FY 2011 target, actual performance, a discussion about our performance, the data definition, and the data source;
- Provide historical trend data for our targets and performance;
- Provide our plans for improving our performance where we missed our target;
- Indicate which performance measures supports our Priority Goals;
- Identify the FY 2011 performance measures for which final data were not available at the end of the fiscal year, indicate when the data will become available, and indicate that we will report the data in our *FY 2012 Performance and Accountability Report*;
- Provide our performance results for the measures cited in our *FY 2010 Performance and Accountability Report* where the final data were not available at the end of FY 2010;
- Round our actual performance data to the nearest whole number or decimal point, when applicable, using a standard rounding convention; and
- Discuss our program evaluations.

Note: We published the *FY 2011 Annual Performance Plan* (APP) before we received our annual funding; therefore, those performance targets were not based on our FY 2011 appropriation. The FY 2011 targets reported here reflect performance commitments based on our annual FY 2011 funding included in Public Law 112-10, the *Department of Defense and Full-Year Continuing Appropriations Act.*

We accumulate much of our performance data based on an operating month rather than a true calendar month. An operating month cuts off on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks. Every 5 or 6 years, the fiscal year contains 53 weeks rather than the normal 52 weeks because the year is not evenly divisible by 7 days. FY 2011 is a 53-week fiscal year. The table on page 83 shows our fiscal year performance for select measures through both the end of the 52^{nd} and 53^{rd} week. We include the 53^{rd} week (through September 30, 2011) in the actual performance for these measures in this *Performance and Accountability Report*.

The following is the key used to indicate the performance status of our targets shown on pages 50 through 82.

Key	
Target met or exceeded	↑
Target not met	↓
Target not met, but performance improved from previous fiscal year	⇔
To be determined – final FY 2011 data not available	**TBD**
PG – Indicates the measure is one of our *Government Performance and Results Act* performance measures that support our Priority Goals. More information on Priority Goals is available on pages 12-13.	

STRATEGIC GOAL 1
ELIMINATE OUR HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

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

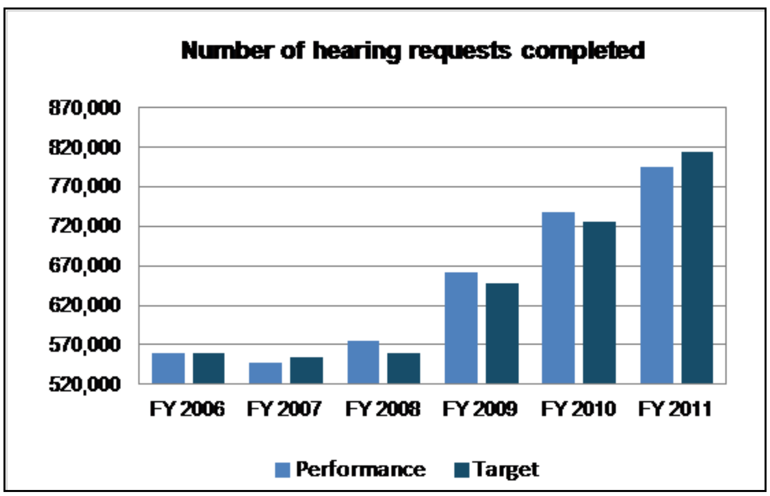
1.1a: Complete the budgeted number of hearing requests (PG)

FY 2011 Target:	815,000
Performance:	795,424 (based on 53 weeks)
Target Achieved:	No, but performance improved

Discussion: We ended FY 2011 short of our hearings completion target. We missed the 815,000 target by 19,576 hearings. We attribute this shortfall to a number of factors including:

- Higher than normal attrition of administrative law judges (ALJ): We historically lose only 60 ALJs in a year, but in FY 2011 we lost 97 ALJs. We hired additional ALJs to replace our losses, but we need to train the new ALJs before they will be able to handle the same amount of work as the ALJs we lost.
- Opened fewer hearing offices than expected: We opened only 8 new hearing offices in FY 2011 rather than the 16 offices we planned. The opening of those eight offices was delayed by the FY 2011 budget uncertainty.

Trend:



Fiscal Year	2006	2007	2008	2009	2010	2011
Performance	558,978	547,951	575,380	660,842	737,616	795,424
Target	560,000	555,000	559,000	647,000	725,000	815,000
Target Met	↓	↓	↑	↑	↑	⇔

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

Data Source: Case Processing and Management System

Plan for Improving Performance: We plan to hire additional ALJs and support staff to provide the necessary capacity to meet our future performance targets.

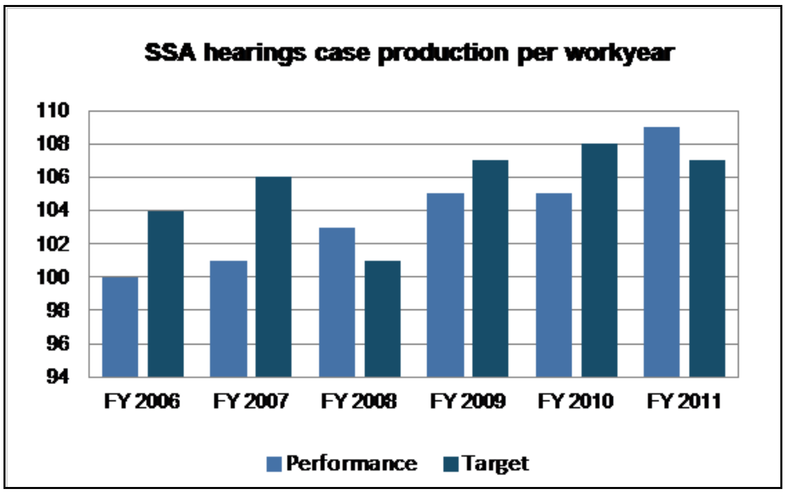
Supports Priority Goal: Issue more decisions for people who file for disability.

1.1b: Achieve the budgeted goal for SSA hearings case production per workyear

FY 2011 Target: 107
Performance: 109 (based on 53 weeks)
Target Achieved: Yes

Discussion: Case production per workyear is a measurement we use to quantify the average annual number of hearing dispositions hearing office employees make. We derive the production per workyear by dividing the workload counts (completed cases) by the workyears used to complete that workload. We express production rates as units produced per workyear. In FY 2011, we focused our efforts on increasing hearings productivity, and as a result, we exceeded our target.

Trend:



Fiscal Year	2006	2007	2008	2009	2010	2011
Performance	100	101	103	105	105	109
Target	104	106	101	107	108	107
Target Met	↓	↓	↑	↓	↓	↑

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)

Note: This measure was formerly a Program Performance Measure. As of FY 2011, it became a *Government Performance and Results Act* performance measure.

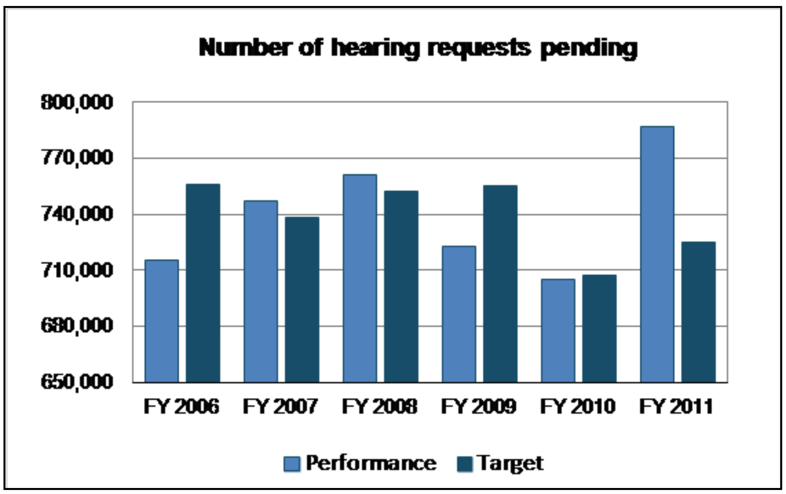
STRATEGIC OBJECTIVE 1.2:
IMPROVE OUR WORKLOAD MANAGEMENT PRACTICES THROUGHOUT THE HEARINGS PROCESS

1.2a: Achieve the target number of hearing requests pending

FY 2011 Target:	725,000
Performance:	787,190 (based on 53 weeks)
Target Achieved:	No

Discussion: In FY 2011, we did not meet the goal because receipts outpaced hearing decisions. We received a record number of hearing requests (859,514) for the third year in a row. As we issued more initial disability decisions, the number of hearing requests continued to rise. Additionally, the appeal rate on disability denials has increased by about 9 percent from FY 2010 to FY 2011. These factors combined with higher than normal attrition of our ALJs caused us to miss our goal by 62,190.

Trend:



Fiscal Year	2006	2007	2008	2009	2010	2011
Performance	715,568	746,744	760,813	722,822	705,367	787,190
Target	756,000	738,000	752,000	755,000	707,000	725,000
Target Met	↑	↓	↓	↑	↑	↓

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

Plan for Improving Performance: We plan to hire additional ALJs and support staff to provide the necessary capacity to meet our future performance targets.

1.2b: Achieve the target to eliminate the oldest hearing requests pending

FY 2011 Target:	Less than 0.5% of hearing requests pending 775 days or older
Performance:	0.09% of hearing requests pending 775 days or older (based on 53 weeks)
Target Achieved:	Yes

Discussion: We began FY 2011 with 111,792 cases that would be 775 days or older by the end of the fiscal year. At the end of the fiscal year, only 103, or 0.09 percent, of claims remained, which was well below our target. In fact, we eliminated virtually all of the cases that were 750 days or older.

Trend:

Fiscal Year	2007	2008	2009	2010	2011
Performance	108 of 63,770 cases remained pending (.17%)	281 of 135,160 cases remained pending (.2%)	228 of 166,838 cases remained pending (.14%)	47 of 139,026 cases remained pending (.03%)	103 of 111,792 cases remained pending (.09%)
Target	Eliminate all hearings pending 1,000 days or more	Less than 1% of hearings pending 900 days or older	Less than 1% of hearings pending 850 days or older	Less than 0.5% of hearing requests pending 825 days or older	Less than 0.5% of hearing requests pending 775 days or older
Target Met	Not applicable				

Data Definition: The percentage of oldest hearing requests pending. The oldest hearing requests are those cases that are pending, or will be pending, 775 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of hearing requests pending 775 days or more at the end of the fiscal year by the total number of oldest hearing requests, identified at the beginning of the fiscal year.

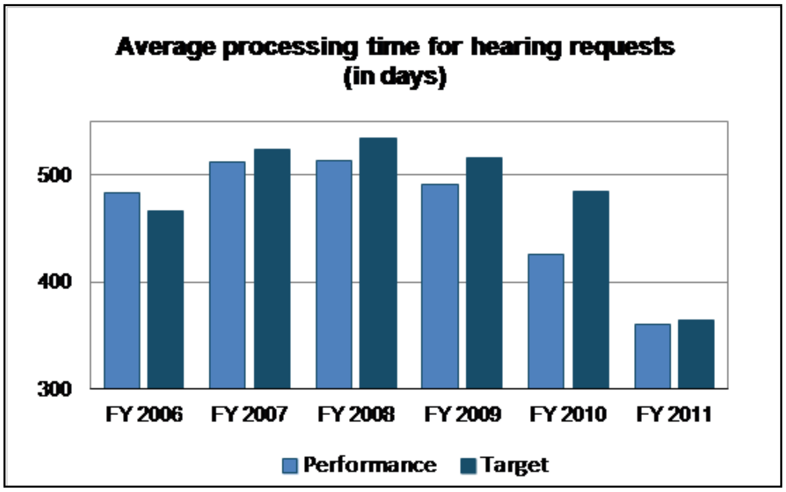
Data Source: Case Processing and Management System

1.2c: Achieve the budgeted goal for average processing time for hearing requests

FY 2011 Target:	365 days
Performance:	360 days (based on 53 weeks)
Target Achieved:	Yes

Discussion: Despite receiving 82,514 more hearing requests than our initial projection (and 25,514 more than our amended projection), we continued to lower the average processing time. The average processing time for FY 2011 was 360 days compared to 426 days in FY 2010. This is an improvement of over 25 percent since FY 2006. We are committed to achieving our long-term objective to reduce the time it takes an individual to receive a hearing decision to an average of 270 days.

Trend:



Fiscal Year	2006	2007	2008	2009	2010	2011
Performance	483	512	514	491	426	360
Target	467	524	535	516	485	365
Target Met	↓	↑	↑	↑	↑	↑

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

Data Source: Case Processing and Management System

1.2d: Achieve the target to eliminate the oldest Appeals Council requests for review pending

FY 2011 Target: Less than 1% of Appeals Council requests for review pending 650 days or older

Performance: 0.3% of Appeals Council requests for review pending 650 days or older (based on 53 weeks)

Target Achieved: Yes

Discussion: We began FY 2011 with 36,200 Appeals Council review requests that would have been pending for 650 days or longer by the end of the fiscal year. We completed 36,076 of these cases, or 99.7 percent, enabling us to achieve our target for this performance measure.

Trend:

Fiscal Year	2009	2010	2011
Performance	10 of 12,184 cases remained pending (0.1%)	131 of 24,297 cases remained pending (0.5%)	124 of 36,200 cases remained pending (0.3%)
Target	Less than 1% of Appeals Council cases pending 750 days or older	Less than 1% of Appeals Council requests for review pending 700 days or older	Less than 1% of Appeals Council requests for review pending 650 days or older
Target Met	↑	↑	↑

Data Definition: The percentage of oldest Appeals Council requests for review pending. The oldest requests for review are those cases that are pending or will be pending 650 days or more at the end of the fiscal year. The percentage is derived by dividing the total number of requests for review pending 650 days or more at the end of the fiscal year by the total number of oldest Appeals Council requests for review identified at the beginning of the fiscal year.

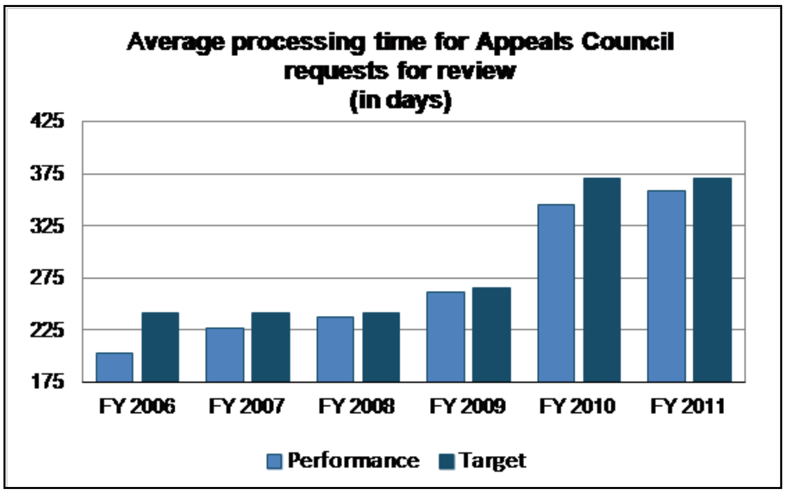
Data Source: Appeals Review Processing System

1.2e: Achieve the target average processing time for Appeals Council requests for review

FY 2011 Target:	370 days
Performance:	358 days (based on 53 weeks)
Target Achieved:	Yes

Discussion: Despite having received 25,332 more requests for review than expected, we were able to meet the 370-day average processing time target. We attribute this success to investments in additional hires and refresher training for Appeals Council employees over the last three years.

Trend:



Fiscal Year	2006	2007	2008	2009	2010	2011
Performance	203	227	238	261	345	358
Target	242	242	242	265	370	370
Target Met	⬆	⬆	⬆	⬆	⬆	⬆

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

Data Source: Appeals Review Processing System beginning March 2008 and Appeals Council Automated Processing System prior to March 2008

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

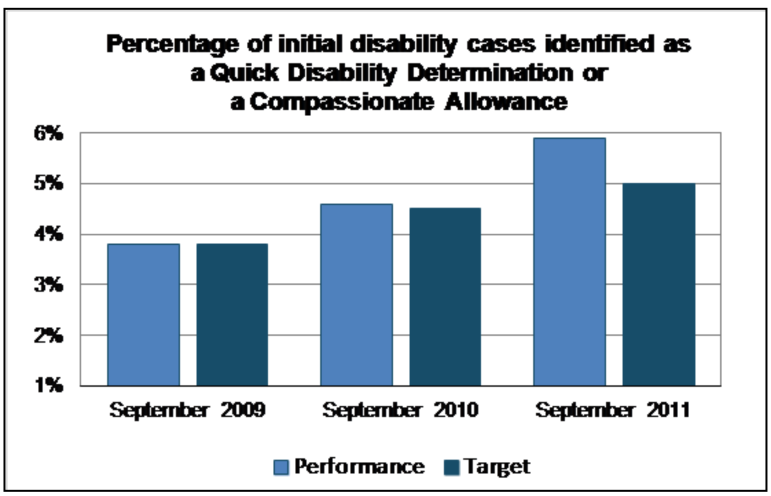
Strategic Objective 2.1:
Fast-track Cases that Obviously Meet Our Disability Standards

2.1a: Achieve the target percentage of initial disability cases identified as a Quick Disability Determination or a Compassionate Allowance (PG)

FY 2011 Target:	5%
Performance:	5.9% (through September 30)
Target Achieved:	Yes

Discussion: Quick Disability Determinations and Compassionate Allowances are two of our most successful initiatives designed to improve the speed of our disability process. In FY 2011, we updated the Quick Disability Determination predictive model, which allowed us to increase the number of individuals served through the Quick Disability Determination process. We added 12 new conditions to our list of qualifying medical conditions for the Compassionate Allowance process, which brought the total to 100. Our target was to identify 5 percent of the initial disability claims filed as Quick Disability Determinations or Compassionate Allowances. We identified 16,919 initial disability claims or 5.9 percent as Quick Disability Determinations or Compassionate Allowances, fast-tracking more cases for the most severely disabled claimants in September 2011. We streamlined the application process for Compassionate Allowances to reduce the burden on claimants.

Trend:



	September 2009	September 2010	September 2011
Performance	3.8%	4.6%	5.9%
Target	3.8%	4.5%	5%
Target Met	⬆	⬆	⬆

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 cases filed in the last month of the current fiscal year.

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

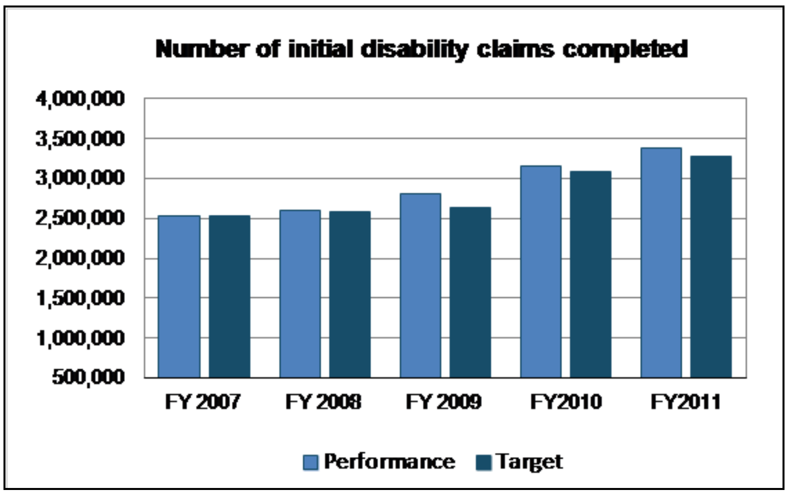
Supports Priority Goal: Issue more decisions for people who file for disability.

2.1b: Complete the budgeted number of initial disability claims (PG)

FY 2011 Target:	3,273,000
Performance:	3,390,936 (based on 53 weeks)
Target Achieved:	Yes

Discussion: In FY 2011, we completed 3,390,936 initial disability claims, 7.3 percent more than we completed in FY 2010. This is particularly impressive because some States continued to furlough Disability Determination Services (DDS) employees, and we were unable to replace staffing losses in most of the agency, including the DDSs.

Trend:



Fiscal Year	2007	2008	2009	2010	2011
Performance	2,529,721	2,607,282	2,812,918	3,161,314	3,390,936
Target	2,530,000	2,582,000	2,637,000	3,081,000	3,273,000
Target Met	↓	↑	↑	↑	↑

Data Definition: The number of Social Security and Supplemental Security Income initial disability claims completed in the State 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

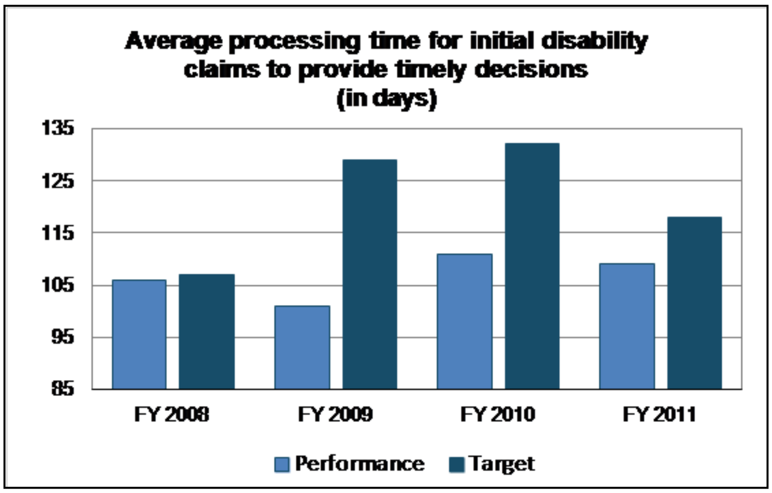
Supports Priority Goal: Issue more decisions for people who file for disability.

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

FY 2011 Target: 118 days
Performance: 109 (based on 53 weeks)
Target Achieved: Yes

Discussion: We anticipated that the increase in the number of initial disability claims receipts would increase our processing time. Yet, even with a record-breaking number of initial disability claims, we decreased our processing time by 2 days – from 111 days in FY 2010 to 109 days in FY 2011. Through health Information Technology (*health IT*), we are able to access electronic medical records almost instantaneously from participating health providers and medical facilities. Since we began using *health IT* in FY 2009, the average processing time for initial disability claims where we could use *health IT* was approximately 21 days shorter than for claims where it was not available or used.

Trend:



Fiscal Year	2008	2009	2010	2011
Performance	106	101	111	109
Target	107	129	132	118
Target Met	↑	↑	↑	↑

Data Definition: The average processing time is the overall, cumulative number of elapsed days, including State Disability Determination Services Federal Assisting Units, 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: Old-Age, Survivors, and Disability Insurance Initial Claims Operational Data Store and Supplemental Security Income Initial Claims Operational Data Store

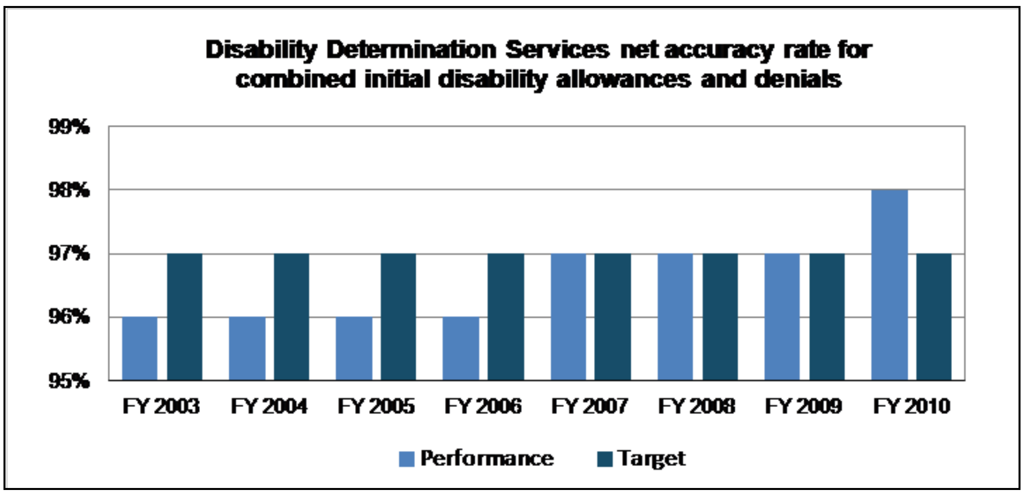
2.1d: Disability Determination Services net accuracy rate for combined initial disability allowances and denials

FY 2011 Target: 97%
Performance: Data available January 2012
Target Achieved: TBD

Discussion: FY 2011 data for this performance measure will not be available until January 2012. We will discuss our FY 2011 performance for this measure in next year's report. The following information relates to our FY 2010 performance for which data were not available when we published our *FY 2010 Performance and Accountability Report*.

During FY 2010, the DDSs dealt with increasing numbers of disability claims and furloughs in some States. Despite these challenges, we exceeded our target accuracy rate of 97 percent for combined initial disability allowances and denials. The Electronic Claims Analysis Tool is a web-based application that guides disability examiners through the disability sequential evaluation process and has helped improve our decisional accuracy.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	96%	96%	96%	96%	97%	97%	97%	98%	Data available January 2012
Target	97%	97%	97%	97%	97%	97%	97%	97%	97%
Target Met	↓	↓	↓	↓	↑	↑	↑	↑	TBD

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.

Data Source: Disability Quality Assurance Databases

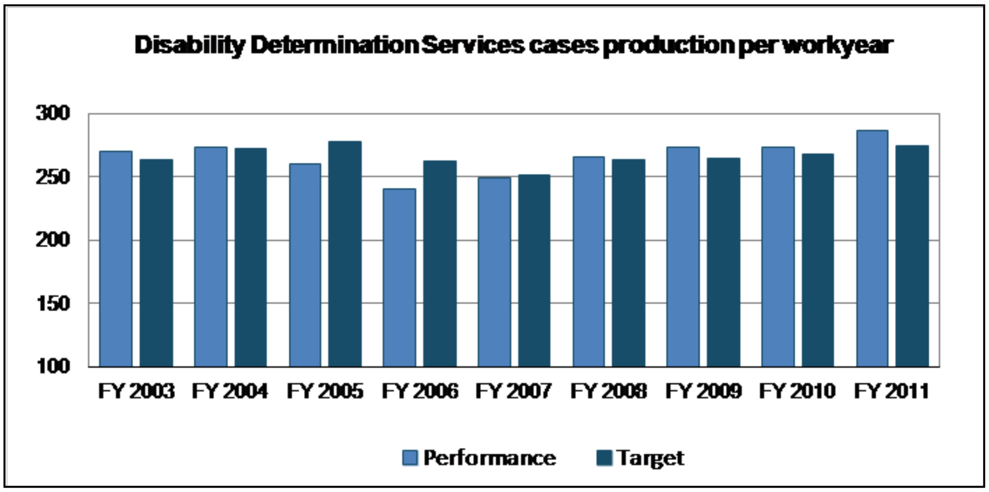
Note: This measure was formerly a Program Performance Measure. As of FY 2011, it became a *Government Performance and Results Act* performance measure.

2.1e: Disability Determination Services cases production per workyear

FY 2011 Target: 275
Performance: 287 (based on 53 weeks)
Target Achieved: Yes

Discussion: In FY 2011, we met our target for DDS case production per workyear because the new hires we brought on board in FYs 2009 and 2010 are now becoming fully productive. This measurement quantifies the average annual number of disability decisions made by each employee in our DDSs.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	270	273	260	241	249	266	274	273	287
Target	264	272	278	262	252	264	265	268	275
Target Met	↑	↑	↓	↓	↓	↑	↑	↑	↑

Data Definition: The average number of all Disability Determination Services (DDS) cases produced 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 DDS payroll, including doctors under contract to the DDS. The DDS case production per workyear is a national target.

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

Note: This measure was formerly a Program Performance Measure. As of FY 2011, it became a *Government Performance and Results Act* performance measure.

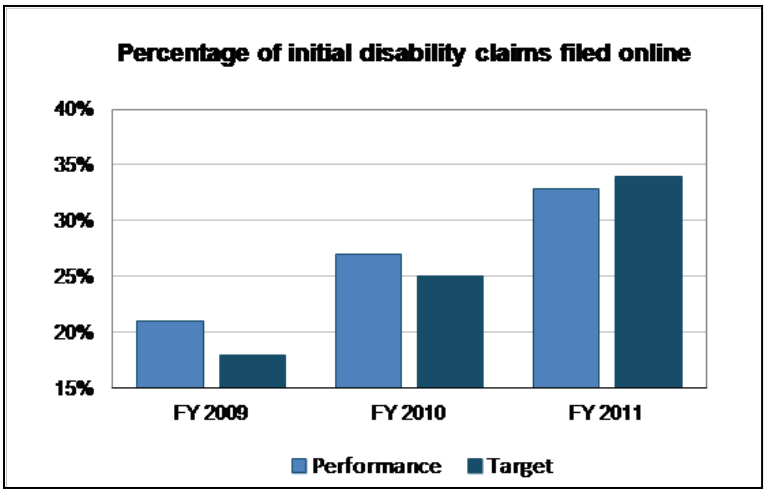
STRATEGIC OBJECTIVE 2.2:
MAKE IT EASIER AND FASTER TO FILE FOR DISABILITY BENEFITS ONLINE

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

FY 2011 Target: 34%
Performance: 33% (based on 53 weeks)
Target Achieved: No, but performance improved

Discussion: The percentage of disability claims filed online continued to increase in FY 2011, but not by enough to meet this goal. In FY 2011, we achieved a 22 percent increase over FY 2010 in disability applications filed online. Our "Boldly Go" national publicity campaign, launched in April 2011 featuring Patty Duke and George Takei, has promoted all of our online services.

Trend:



Fiscal Year	2009	2010	2011
Performance	21%	27%	33%
Target	18%	25%	34%
Target Met			

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, and Localized Management Information Report

Plans for Improving Performance: We will continue to market our online claim applications and services. In addition, we will monitor the use of these services to detect trends in usage or issues, and make the necessary changes to improve performance.

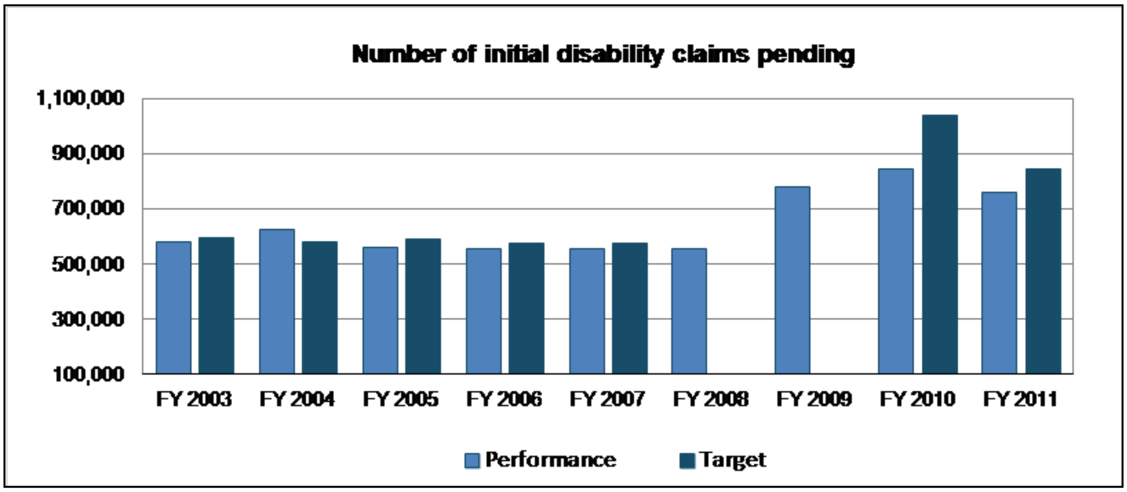
Supports Priority Goal: Increase the number of online applications for retirement and disability.

2.2b: Achieve the target number of initial disability claims pending

FY 2011 Target:	845,000
Performance:	759,023 (based on 53 weeks)
Target Achieved:	Yes

Discussion: In FY 2011, we were able to reduce our initial disability claims pending to 759,023 claims, more than 85,000 claims below our target. This achievement was particularly impressive considering we received a record number of disability claims and experienced continued State furloughs of DDS employees as well as an agency-wide hiring freeze.

Trend:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	581,929	624,658	560,529	555,071	555,317	556,670	779,854	842,192	759,023
Target	593,000	582,000	592,000	577,000	577,000	N/A*	N/A*	1,041,000	845,000
Target Met	⬆	⬇	⬆	⬆	⬆	N/A*	N/A*	⬆	⬆

*This was not a *Government Performance and Results Act* performance measure in FYs 2008 and 2009; however, we provide historical performance data for these years.

Data Definition: The number of Social Security and Supplemental Security Income initial disability claims pending in the State Disability Determination Services and other agency components in the current fiscal year.

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

STRATEGIC OBJECTIVE 2.3: REGULARLY UPDATE OUR DISABILITY POLICIES AND PROCEDURES

2.3a: Update the medical Listing of Impairments

FY 2011 Target: Develop and submit at least three regulatory actions or *Social Security Rulings*
Performance: Published two regulatory actions and one *Social Security Ruling*
Target Achieved: Yes

Discussion: We met this goal in FY 2011. We published two final rules in the *Federal Register*: one for endocrine disorders and one to cross-reference technical corrections for a neurological listing. We also published one *Social Security Ruling* entitled *Titles II and XVI: Documenting and Evaluating Disability in Young Adults*.

Trend:

Fiscal Year	2009	2010	2011
Performance	Published eight *Social Security Rulings* in the *Federal Register*	Published three final regulations and one Notice of Proposed Rulemaking	Published two regulatory actions and one *Social Security Ruling*
Target	Develop and submit at least three regulatory actions or *Social Security Rulings*	Develop and submit at least three regulatory actions or *Social Security Rulings*	Develop and submit at least three regulatory actions or *Social Security Rulings*
Target Met	↑	↑	↑

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

Data Source: Office of Retirement and Disability Policy Workplan

2.3b: Increase the percentage of disability cases evaluated using health Information Technology

FY 2011 Target: 500% above FY 2010 baseline (18,000 claims)
Performance: 108% (based on 53 weeks; 6,235 claims)
Target Achieved: No, but performance improved

Discussion: While we did not meet our performance target for this measure of 500 percent above the FY 2010 baseline, we continued to make significant strides. *Health IT* is a relatively new industry that is gradually maturing with adjustments to (1) certification standards; (2) Nationwide Health Information Network criteria; and (3) standards for secure exchange of medical information in a variety of formats. As a result of these changes, a number of the medical providers had to adjust their original plans, which resulted in delays to exchange medical records during the year.

Trend:

Fiscal Year	2010	2011
Performance	**Baseline Established (3,000 claims)**	**108% above FY 2010 baseline (6,235 claims)**
Target	**Establish Baseline**	**500% above FY 2010 baseline (18,000 claims)**
Target Met	⬆	⬄

Data Definition: The percentage increase in the number of disability cases evaluated using medical evidence gathered through health Information Technology over the prior year. "Disability Cases evaluated" are defined as the number of medical evidence of record documents received through health Information Technology over the prior year.

Data Source: Health Information Technology Management Information System

Plan for Improving Performance: With the FY 2012 addition of selected providers in five additional States – Indiana, Minnesota, Idaho, New Mexico, and Michigan, we will see a substantial increase in the volume of initial disability claims using *health IT*.

Note: The title for this performance measure changed in FY 2011.

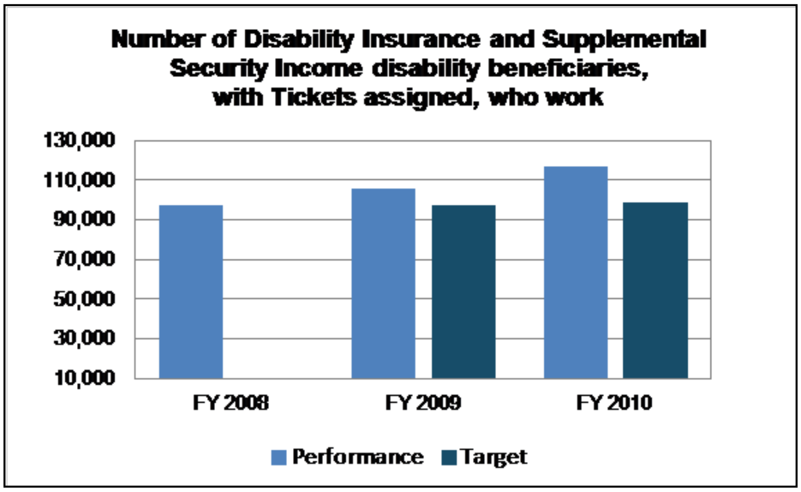
2.3c: Number of Disability Insurance and Supplemental Security Income disability beneficiaries, with Tickets assigned, who work

FY 2011 Target: 114,310
Performance: Data Available July 2012
Target Achieved: TBD

Discussion: FY 2011 data for this performance measure will not be available until July 2012. We will discuss our FY 2011 performance in next year's report. The following relates to our FY 2010 performance for which data were not available when we published our *FY 2010 Performance and Accountability Report.*

Improvements to our Ticket to Work program in FY 2010 helped us exceed our target of 98,940 people with tickets who worked. In FY 2010, we held 795 Work Incentive Seminar Events with 8,395 beneficiaries, 956 employment networks, and 2,799 community partners. These events provided beneficiaries who are eligible for the Ticket to Work program with the information they needed to assign their Tickets and obtain the necessary support to return to work. For more information about our Ticket to Work program, refer to page 87 of the *Program Evaluation* section.

Trend:



Fiscal Year	2008	2009	2010	2011
Performance	96,993	105,843	117,124	Data Available July 2012
Target	Establish a new baseline	97,000	98,940	114,310
Target Met	⬆	⬆	⬆	TBD

Data Definition: The total number of Disability Insurance, Supplemental Security Income, and Concurrent beneficiaries who used their Ticket to sign up with an Employment Network or State Vocational Rehabilitation Agency and who have recorded earnings in the Disability Control File in any month of the calendar year.

Data Source: Disability Control File – "Verify Update Earnings Screen's Work and Earnings Reports" data field

Note: This measure was formerly a Program Performance Measure. As of FY 2011, it became a *Government Performance and Results Act* performance measure.

2.3d: Number of Disability Insurance and Supplemental Security Income disability beneficiaries who earn four quarters of work credit during the calendar year

FY 2011 Target: 774,048
Performance: Data available December 2012
Target Achieved: TBD

Discussion: FY 2011 data for this performance measure will not be available until December 2012. We will discuss our FY 2011 performance when the data are available.

Data Definition: Number of full-year Disability Insurance and Supplemental Security Income disabled beneficiaries who earn four quarters of work credit during the calendar year. We credit a "quarter" of work credit for each $1,120 earned in 2010, up to a limit of four quarters in the calendar year. For 2011, we credit a "quarter" for each $1,120 earned up to four quarters.

Data Source: Master Earnings File

Note: This is a new performance measure for FY 2011.

STRATEGIC GOAL 3
IMPROVE OUR RETIREE AND OTHER CORE SERVICES

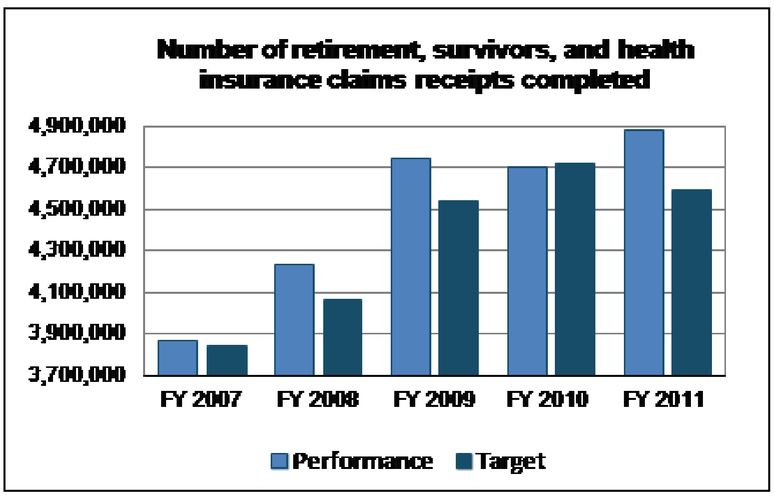
STRATEGIC OBJECTIVE 3.1:
DRAMATICALLY INCREASE BABY BOOMERS' USE OF OUR ONLINE RETIREMENT SERVICES

3.1a: Percent of retirement, survivors, and health insurance claims receipts completed up to the budgeted level

FY 2011 Target: 100%
Performance: 106% (based on 53 weeks)
Target Achieved: Yes

Discussion: The aging of the baby boomers and the economic downturn led to an increase in the number of retirement and survivor claims filed in FY 2011. We successfully achieved our target and completed almost 38,000 more retirement and survivors insurance claims than were received.

Trend:



Fiscal Year	2007	2008	2009	2010	2011
Performance	101% (3,863,813)	104%* (4,236,455)	104% (4,742,218)	101%** (4,700,990)	106% (4,877,955)
Target	100% (3,837,000)	100% (4,065,000)	100% (4,543,000)	100%** (4,718,000; 4,658,124 rec'd)	100% (4,590,000)
Target Met	↑	↑	↑	↑	↑

*The percentage for our FY 2008 performance reflects a correction from the data published in our FY 2010 PAR.
**In FY 2010, our performance reached 101% as we completed 42,866 more retirement, survivors, and health insurance claims than were received. The number we received was slightly lower than we anticipated in the fiscal year; as a result, we were able to reduce the number of pending claims that were carried over from FY 2009.

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

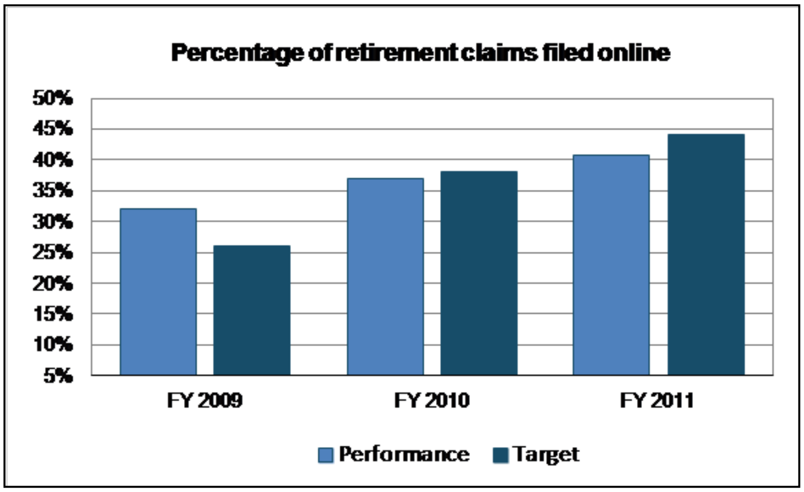
Data Source: Work Measurement Transitional Database

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

FY 2011 Target: 44%
Performance: 41% (based on 53 weeks)
Target Achieved: No, but performance improved

Discussion: Our online retirement claims performance increased almost 11 percent over last year. Our marketing efforts helped us increase the percentage of online retirement claims, but we fell short of our FY 2011 goal of 44 percent.

Trend:



Fiscal Year	2009	2010	2011
Performance	32%	37%	41%
Target	26%	38%	44%
Target Met	⬆	⬄	⬄

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, Electronic Service Delivery, and Localized Management Information Report

Plans for Improving Performance: We have formed a cross-component workgroup to target our marketing efforts. We will continue to monitor internal and external data to detect trends in usage or issues, and make necessary changes to improve performance. We will also release a Spanish version of our online claims application in FY 2012.

Supports Priority Goal: Increase the number of online applications for retirement and disability

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

We do not have an FY 2011 performance measure under this strategic objective. Nevertheless, we will use the initiatives as discussed on page 24 to provide individuals with accurate, clear, and up-to-date information.

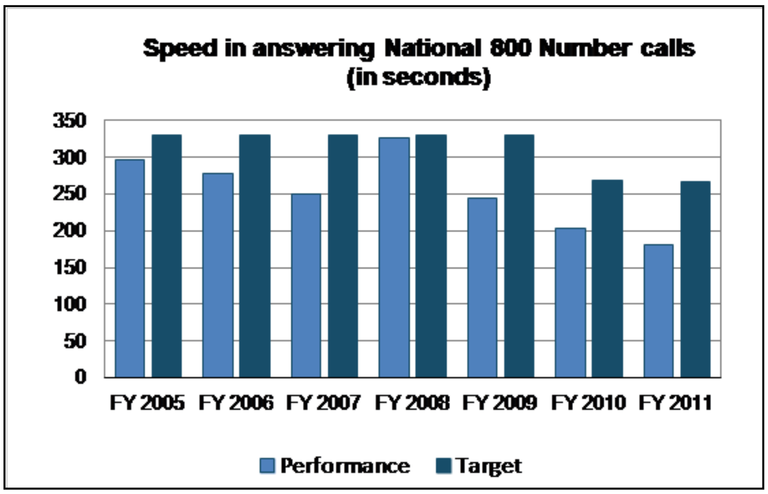
STRATEGIC OBJECTIVE 3.3: IMPROVE OUR TELEPHONE SERVICE

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

FY 2011 Target: 267 seconds
Performance: 180 seconds
Target Achieved: Yes

Discussion: We exceeded our goal by over 32 percent. As we continue to improve our telephone services, the number of calls to the National 800 Number has declined as fewer people need to call us multiple times to get through. In FY 2011, our call volume decreased by nine percent. With fewer calls and more efficient call management techniques, we have been able to improve the speed of answering calls even as we lost nearly 350 telephone agents. In FY 2011, the percentage of agents who were available to handle incoming calls increased by more than 4 percent over FY 2010, and our average speed in answering calls improved by over 11 percent.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010	2011
Performance	296	278	250	326	245	203	180
Target	330	330	330	330	330	269	267
Target Met	⬆	⬆	⬆	⬆	⬆	⬆	⬆

Data Definition: Speed of answer is calculated by dividing the wait time for all National 800 Number calls answered by agents by the number of all National 800 Number calls answered by agents in the fiscal year. Wait time begins from the time the caller is transferred to the agent queue (waiting for an agent) and continues until an agent answers the call.

Data Source: Report generated by Cisco router software

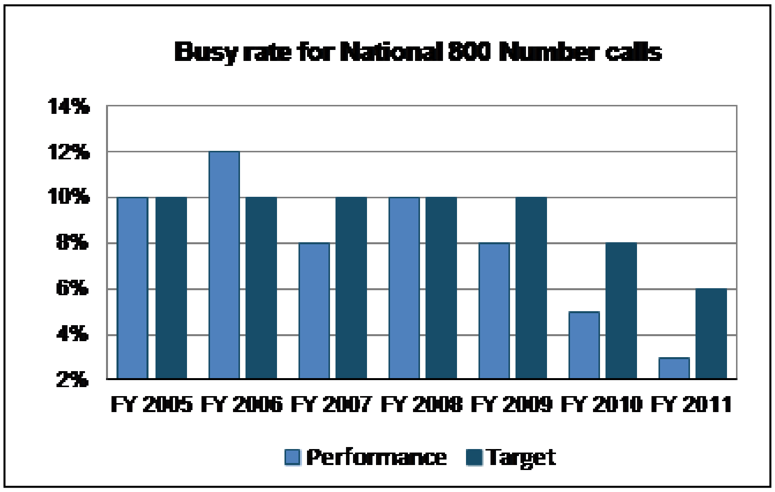
Supports Priority Goal: Improve our customers' service experience on the telephone, in our field offices, and online.

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

FY 2011 Target:	6%
Performance:	3%
Target Achieved:	Yes

Discussion: In FY 2011, our busy rate for National 800 Number calls was the lowest rate ever. We reduced our busy rate by over 67 percent since 2009.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010	2011
Performance	10%	12%	8%	10%	8%	5%	3%
Target	10%	10%	10%	10%	10%	8%	6%
Target Met	↑	↓	↑	↑	↑	↑	↑

Data Definition: The agent busy rate is calculated as the number of National 800 Number busy messages divided by the number of National 800 Number calls requesting agent service in the fiscal year. The caller receives a busy message when an agent is not available to answer the call because the queue has reached its maximum capacity of waiting calls. When this happens, we provide the option of returning to automated services or calling back at another time.

Data Source: Report generated by Cisco router software

Supports Priority Goal: Improve our customers' service experience on the telephone, in our field offices, and online.

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" (PG)

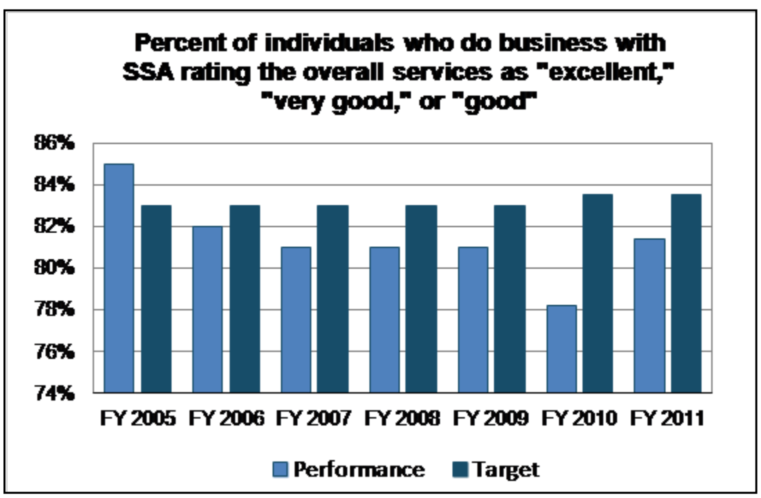
FY 2011 Target: 83.5%
Performance: 81.4%
Target Achieved: No, but performance improved

Discussion: Although we did not meet our FY 2011 target, our 3-percentage point improvement over FY 2010 is statistically significant. We attribute the increase to the survey results that showed improved satisfaction of people who called our National 800 Number and visited our offices.

These survey results, along with other survey findings, allow us to identify the specific aspects of service where improvements would have the greatest effect on overall satisfaction. We discuss these surveys in more detail in the *Program Evaluation* section beginning on page 85.

We also consider the American Customer Satisfaction Index (ACSI) as an indicator of the public's opinion of our services. ACSI results showed that the public was very satisfied with our online services in FY 2011. On a 100-point scale, our iClaims online benefit applications scored 90, and our online Retirement Estimator scored 89. Our online Help with Medicare Prescription Drug Plan Costs scored 88 and our Social Security Internet Disability Report scored 82.

Trend:



Fiscal Year	2005	2006	2007	2008	2009	2010	2011
Performance	85%	82%	81%	81%	81%	78.2%	81.4%
Target	83%	83%	83%	83%	83%	83.5%*	83.5%
Target Met	↑	↓	↓	↓	↓	↓	⇔

*Beginning in FY 2010, we rounded to one-tenth percent instead of whole number for both trend and performance data for this measure.

Data Definition: The percent is derived by dividing the 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: Overall satisfaction rating is based on Service Satisfaction Surveys of National 800 Number callers; field office callers; visitors to field offices and hearings offices; starting in FY 2009, individuals who used one of our transactional Internet services; and effective with FY 2011, field office visitors surveyed include those who visited Social Security Card Centers. In FY 2009, we included results of a special survey of applicants who filed for benefits online. The FY 2010 performance indicator included results of the first annual Internet Report Card Survey, which added online applicants for Medicare Part D Subsidy along with iClaim filers. In FY 2011, we added iChange, including online change of address and direct deposit transactions, to the Internet Report Card Survey. In addition, the iClaim sample used for the survey was expanded to include a segment of Medicare-only filers.

Plans for Improving Performance: In an effort to improve overall customer service satisfaction, we have already implemented a Field Office Virtual Assistance Program, which gives callers another opportunity to be served by our National 800 Number network rather than receive a busy signal. We will also make improvements to our automated systems, upgrade speech recognition software, implement post call surveys, and carry out the following projects:

- Implement our Overflow Polite Disconnect pilot project, which will reduce the number of continuous rings a caller hears when calls go unanswered after exceeding the maximum wait time in queue. Rather than callers experiencing a continuous ring until answered, this project will allow callers going to Overflow to hear only eight rings followed by a polite disconnect message;
- Continue our Dynamic Forward on Busy project where general inquiry callers, who would normally encounter a busy condition, will now have the option of transferring to National 800 Number network agent service; and
- Plan an Estimated Wait Time project, in an effort to address caller satisfaction with “wait on hold” time, which will allow callers to hear an announcement telling them the wait time remaining in minutes before reaching an agent.

Supports Priority Goal: Improve our customers’ service experience on the telephone, in our field offices, and online.

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

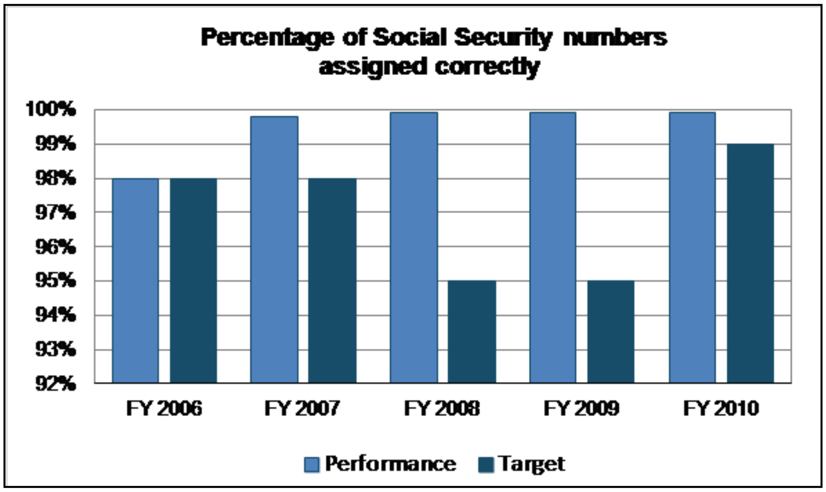
3.5a: Achieve the target percentage for correctly assigning original Social Security numbers

FY 2011 Target:	99%
Performance:	Data available May 2012
Target Achieved:	TBD

Discussion: FY 2011 data for this performance measure will not be available until May 2012. We will discuss our FY 2011 performance in next year’s report. Our discussion below relates to our FY 2010 performance for which data were not available when we published our *FY 2010 Performance and Accountability Report*.

In FY 2010, we correctly assigned 99.9 percent of Social Security numbers (SSN), exceeding our FY 2010 target of 99 percent. To help us meet and exceed this goal, we completed this specialized work in our card centers nationwide. We also continued making improvements to the Social Security Number Application Process (SSNAP) tool, a web-based Intranet application for assigning original and replacement SSN cards in our field offices and card centers. With SSNAP, employees can request the status of and information on a pending SSN application.

Trend:



Fiscal Year	2006	2007*	2008*	2009*	2010*	2011
Performance	98%	99.8%	99.9%	99.9%	99.9%	Data available May 2012
Target	98%	98%	95%	95%	99%	99%
Target Met	↑	↑	↑	↑	↑	TBD

*In FY 2008, historical data for SSNs correctly assigned included "if the applicant had more than one SSN, the numbers were cross-referenced." We changed the data definition in FY 2009 to what we considered a correctly assigned SSN, that is, if an individual did not receive more than one SSN. In FY 2010, we changed the data definition to include correct assignment of SSNs if the individual did not receive more than one SSN, except where permitted. Beginning with the FY 2011 PAR, for more informative reporting, we display our performance carried to the first decimal place of the percentage rather than rounding to a whole number percentage, as in previous year reports.

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 assigned 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 did not receive more than one Social Security number, except where permitted; and (3) the individual is eligible to receive a Social Security number based on supporting documentation.

Data Source: Enumeration Quality Review

STRATEGIC GOAL 4
PRESERVE THE PUBLIC'S TRUST IN OUR PROGRAMS

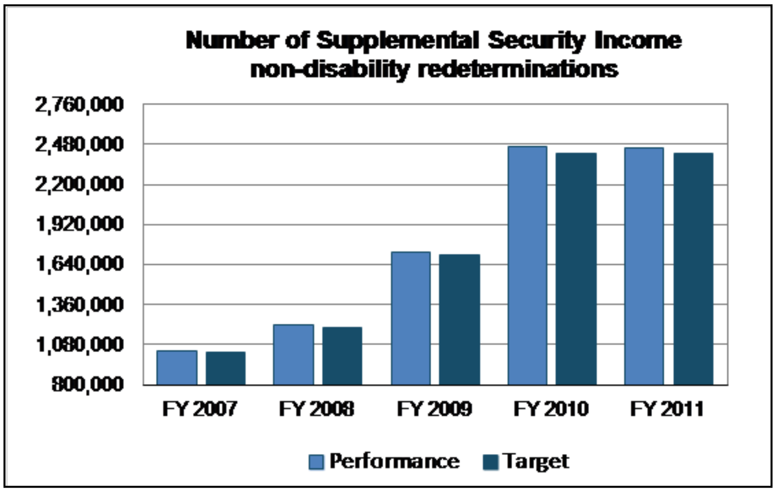
STRATEGIC OBJECTIVE 4.1:
CURB IMPROPER PAYMENTS

4.1a: Complete the budgeted number of Supplemental Security Income non-disability redeterminations (PG)

FY 2011 Target:	2,422,000
Performance:	2,456,830 (based on 53 weeks)
Target Achieved:	Yes

Discussion: Redeterminations are periodic reviews of the non-medical factors of Supplemental Security Income (SSI) recipient's eligibility for SSI payments. Recent estimates indicate redeterminations provide a return-on-investment of better than $7 in program savings over 10 years for every $1 spent, including savings accrued to Medicaid. We perform as many redeterminations as resources permit. In FY 2011, we conducted 2,456,830 redeterminations. Despite severe budget cuts, we exceeded our target by processing 34,830 more SSI redeterminations than expected. These actions help improve SSI payment accuracy.

Trend:



Fiscal Year	2007	2008	2009	2010	2011
Performance	1,038,948	1,220,664	1,730,575	2,465,878	2,456,830
Target	1,026,000	1,200,000	1,711,000	2,422,000	2,422,000
Target Met	⬆	⬆	⬆	⬆	⬆

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

Data Source: Integrated SSA Unified Measurement System Counts Report

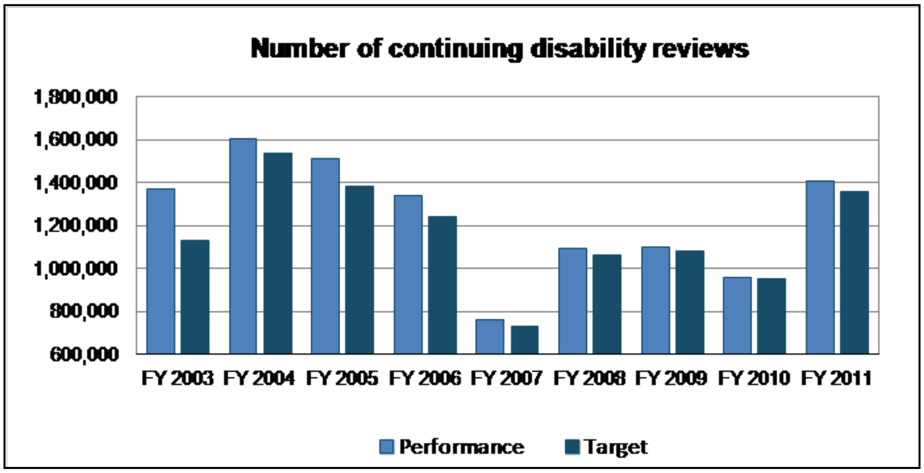
Supports Priority Goal: Ensure effective stewardship of our programs by increasing our program integrity efforts.

4.1b: Increase the budgeted number of continuing disability reviews (PG)

FY 2011 Target: 1,357,000
Performance: 1,408,897
Target Achieved: Yes

Discussion: We perform continuing disability reviews (CDR) to determine if disabled beneficiaries still meet the medical requirements for continued eligibility. We conduct two types of CDRs: full medical reviews and mailers. Using computer-scoring models, we identify cases for which conducting a full medical review would not be cost effective. In these cases, we use a questionnaire (mailer). Full medical CDRs are expensive since each one requires a new medical evaluation and disability determination by our DDS examiners. We estimate each full review costs approximately $1,000 to complete. We identified the full medical CDR subset of this performance measure as one of our Priority Goals. In FY 2011, we completed 1,063,405 mailer CDRs and we conducted 345,492 full medical reviews.

Trend:



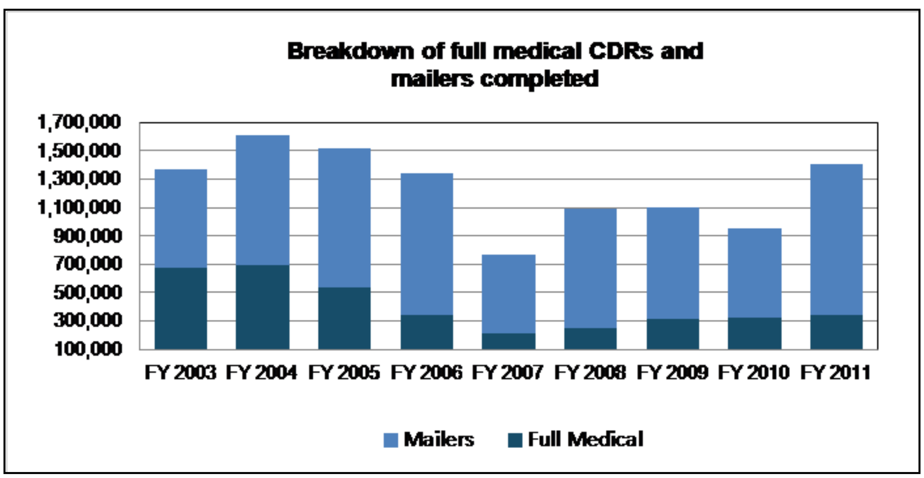
Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	1,371,255	1,604,680	1,515,477	1,337,638	764,852	1,091,303	1,101,983	956,182	1,408,897
Target	1,129,000	1,537,000	1,384,000	1,242,000	729,000	1,065,000	1,079,000	954,000	1,357,000
Target Met	⇧	⇧	⇧	⇧	⇧	⇧	⇧	⇧	⇧

Data Definition: The number of continuing disability reviews (CDR) completed in the fiscal year up to the target. This number includes medical reviews completed by the State 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

Supports Priority Goal: Ensure effective stewardship of our programs by increasing our program integrity efforts.

Below we provide a breakout of full medical CDRs and mailers completed by fiscal year since FY 2003:



Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Full Medical	679,309	693,680	537,375*	340,580	207,637	245,388	316,960	324,567	345,492
Mailers	691,946	911,000	978,102*	997,058	557,215	845,915	785,023	631,615	1,063,405

*The numbers for the FY 2005 full medical CDRs and mailers reflect a correction from the data published in our FY 2010 PAR.

4.1c: Percent of Supplemental Security Income payments free of overpayment and underpayment error (PG)

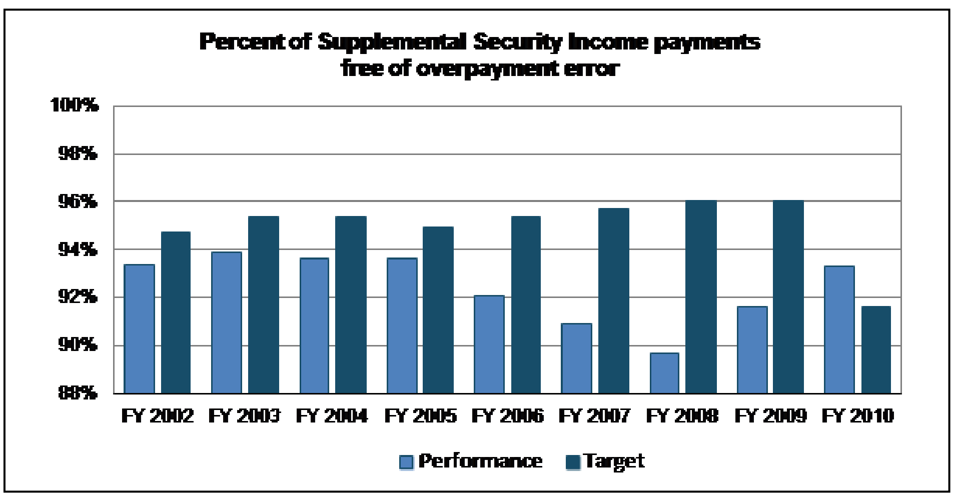
FY 2011 Target:	Overpayment accuracy:	93.3%*
	Underpayment accuracy:	98.8%
Performance:	Data available June 2012	
Target Achieved:	TBD	

Discussion: FY 2011 data for this performance measure will not be available until June 2012. We will discuss our FY 2011 performance in next year's report. Our discussion below relates to our FY 2010 performance for which data were not available when we published our *FY 2010 Performance and Accountability Report*.

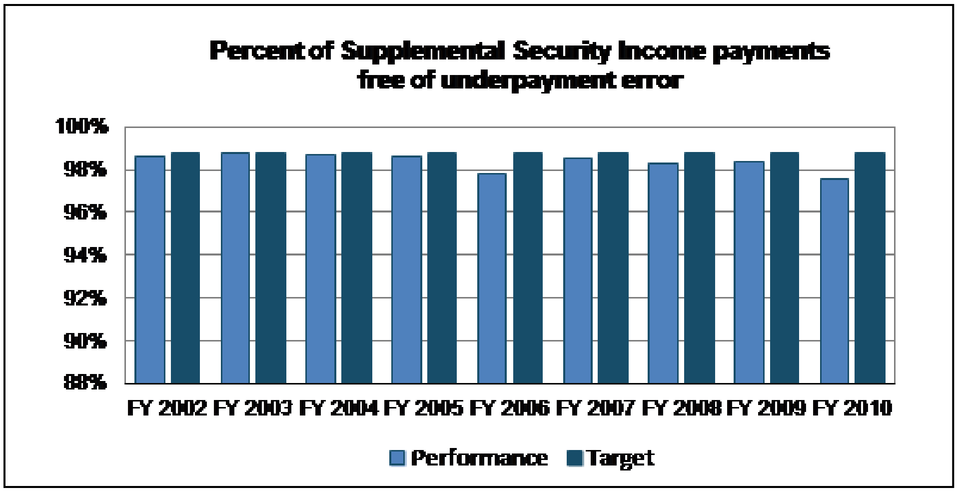
Overpayments occur when we pay beneficiaries and recipients too much money. Underpayments occur when we pay beneficiaries and recipients too little money. In FY 2010, our SSI overpayment accuracy improved by 1.7 percentage points, but our underpayment accuracy declined by 0.8 percentage points from FY 2009. Both changes were statistically significant. Our SSI overpayment accuracy has improved since 2009, primarily because we conducted more non-medical redeterminations. Our expansion of electronic financial account verification and telephone wage reporting also contributed to our success. More information about our SSI payment accuracy rates is located starting on page 94.

***Note:** Our APP and Congressional Justification, issued in February 2011, reflected an FY 2011 SSI overpayment target accuracy rate of 92 percent. Because of the lag in producing actual performance data, we did not receive FY 2010 SSI overpayment accuracy data until June 2011. The increase in our FY 2010 overpayment accuracy rate prompted us to revise the FY 2011 SSI overpayment target accuracy rate to 93.3 percent.

Trend:



SSI Overpayment										
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	93.4%	93.9%	93.6%	93.6%	92.1%	90.9%	89.7%	91.6%	93.3%	Data available June 2012
Target	94.7%	95.4%	95.4%	94.9%	95.4%	95.7%	96.0%	96.0%	91.6%	93.3%
Target Met	↓	⇔	↓	↓	↓	↓	↓	⇔	↑	TBD



SSI Underpayment										
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	98.6%	98.8%	98.7%	98.6%	97.8%	98.5%	98.3%	98.4%	97.6%	Data available June 2012
Target	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%	98.8%
Target Met	↓	↑	↓	↓	↓	⇔	↓	⇔	↓	TBD

Data Definition: The Supplemental Security Income 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 Supplemental Security Income 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.

Data Source: Supplemental Security Income Stewardship Report

Supports Priority Goal: Ensure effective stewardship of our programs by increasing our program integrity efforts.

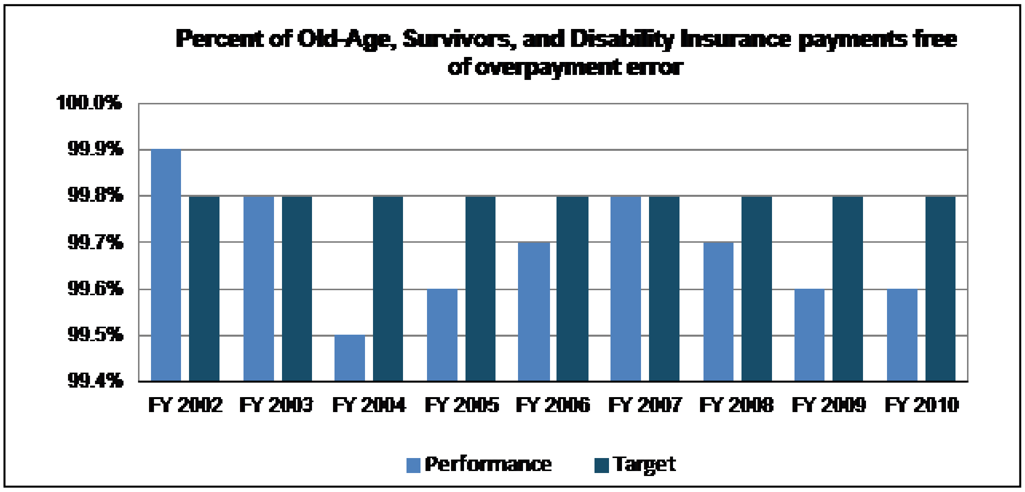
4.1d: Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment and underpayment error (PG)

FY 2011 Target:	Overpayment accuracy:	99.8%
	Underpayment accuracy:	99.8%
Performance:	Data available April 2012	
Target Achieved:	TBD	

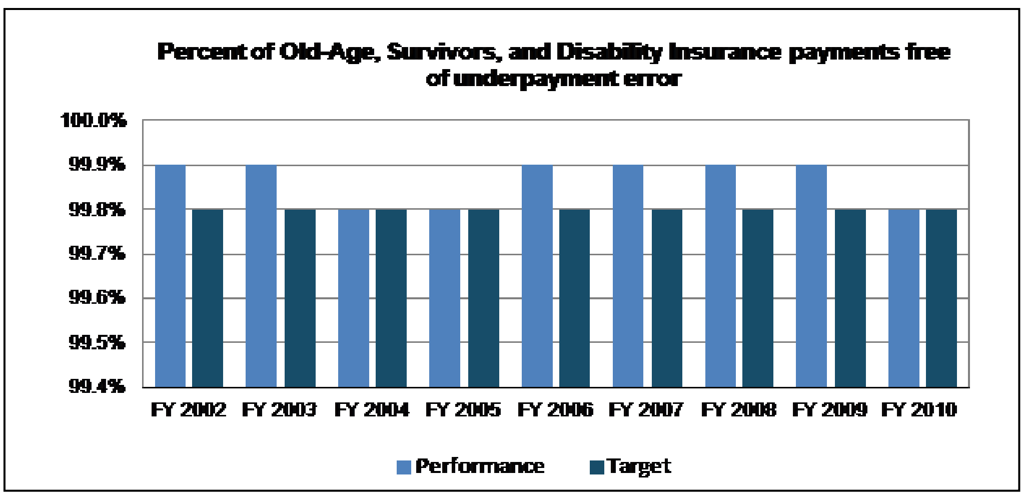
Discussion: FY 2011 data for this performance measure will not be available until April 2012. We will discuss our FY 2011 performance in next year's report. Our discussion below relates to our FY 2010 performance for which data that were not available when we published our *FY 2010 Performance and Accountability Report.*

In FY 2010, our Old-Age, Survivors, and Disability Insurance (OASDI) overpayment accuracy was 99.6 percent. Our underpayment accuracy rate for the OASDI program was 99.8 percent. While we missed our overpayment target by 0.2 percent, we met our underpayment target. There are many causes for improper OASDI payments, such as disabled beneficiary's failure to report work activity, and beneficiaries' incorrect annual wage estimates. These and other causes resulted in approximately $4.5 billion in improper OASDI payments in FY 2010. More information about the OASDI accuracy rates is located on page 93.

Trend:



OASDI Overpayment										
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	99.9%	99.8%	99.5%	99.6%	99.7%	99.8%	99.7%	99.6%	99.6%	Data available April 2012
Target	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
Target Met	↑	↑	↓	⇔	⇔	↑	↓	↓	↓	TBD



OASDI Underpayment										
Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Performance	99.9%	99.9%	99.8%	99.8%	99.9%	99.9%	99.9%	99.9%	99.8%	Data available April 2012
Target	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
Target Met	↑	↑	↑	↑	↑	↑	↑	↑	↑	TBD

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 rate 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.

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

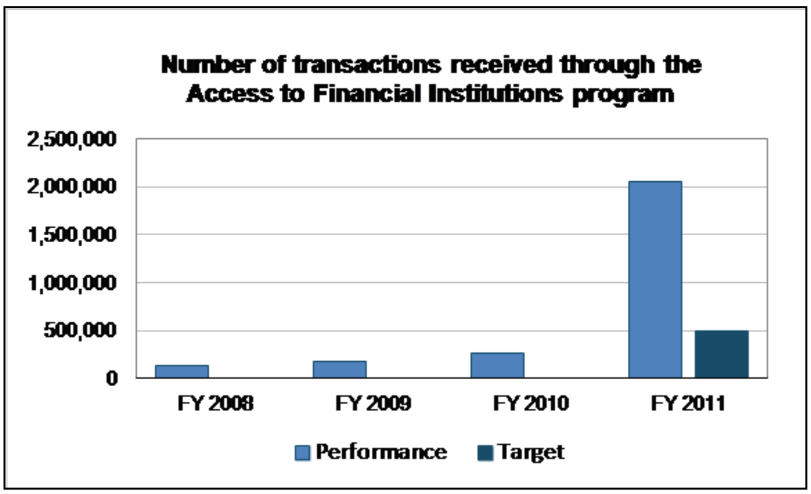
Supports Priority Goal: Ensure effective stewardship of our programs by increasing our program integrity efforts.

4.1e: Increase the number of transactions received through the Access to Financial Institutions program

FY 2011 Target: 500,000
Performance: 2,048,678
Target Achieved: Yes

Discussion: Access to Financial Institutions (AFI) allows our offices to electronically request and receive financial account information by automatically checking applicants or recipients' known bank accounts, and by systematically checking for unknown accounts with financial institutions in a given area. In the SSI program, unreported resources have been one of the most significant causes of improper payments. The AFI program helps us avoid many payment errors that have been common in the past. In FY 2011, we received 2,048,678 transactions through AFI, which substantially exceeded our target by 310 percent.

Trend:



Fiscal Year	2008	2009	2010	2011
Performance	128,729	181,646	264,605	2,048,678
Target	N/A	N/A	N/A	500,000
Target Met	N/A	N/A	N/A	⬆

Data Definition: The number of Access to Financial Institution (AFI) transactions initiated in the fiscal year.

Data Source: Transaction file provided by AFI business partner

Note: This performance measure is new for FY 2011. We present FY 2008 - FY 2010 performance for comparative purposes. The data definition shows "transactions initiated" for this performance measure; however, we are tracking and reporting the number of "transactions received."

STRATEGIC OBJECTIVE 4.2: ENSURE PRIVACY AND SECURITY OF PERSONAL INFORMATION

We do not have an FY 2011 performance measure under this strategic objective. Nevertheless, we will continue to engage in a variety of practices to ensure privacy and security of personal information.

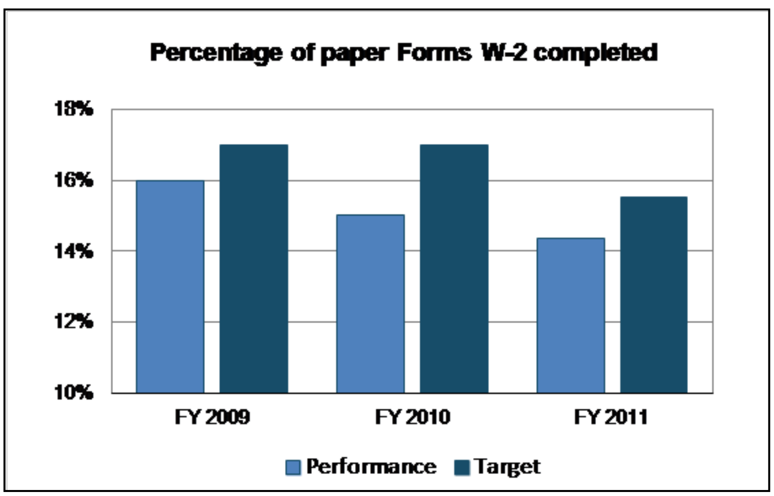
STRATEGIC OBJECTIVE 4.3: MAINTAIN ACCURATE EARNINGS RECORDS

4.3a: Reduce the target percentage of paper Forms W-2 completed

FY 2011 Target:	15.5%
Performance:	14.4%
Target Achieved:	Yes

Discussion: It is essential that we accurately post all annual wage reports we receive to workers' earnings records. We now receive the majority of wage reports electronically, but we still receive some paper reports, which are more error-prone, labor intensive, and expensive to process. In FY 2011, we exceeded our target to receive no more than 15.5 percent of our annual wage reports as paper. To help meet our target, we conducted several outreach activities to encourage employers to register and use our Business Services Online. Business Services Online enables employers to file W-2 forms electronically. In addition, during FY 2011, we implemented changes to our Integrated Registration System, which simplified the registration process. Changes to the registration system incorporated new policies and procedures to validate an individual's association with a particular employer.

Trend:



Fiscal Year	2009	2010	2011
Performance	16%	15%	14.4%
Target	17%	17%	15.5%
Target Met	⬆	⬆	⬆

Data Definition: The percentage of paper Forms W-2 processed to completion. The percentage is derived by dividing the number of paper Forms W-2 processed to completion by the total number of Forms W-2 processed to completion.

Data Source: Earnings Modernization Operational Data Store Management Information Reports

Strategic Objective 4.4: Simplify and Streamline How We Do Our Work

We do not have an FY 2011 performance measure under this strategic objective. Nevertheless, we will continue to simplify and streamline our policies and procedures and move more of our business processes to an electronic environment. We discussed this initiative in more detail on page 29.

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 2011 Target:	Receive an unqualified opinion
Performance:	Received an unqualified opinion
Target Achieved:	Yes

Discussion: For the 18th consecutive year, we received an unqualified opinion on our financial statements. In accordance with the *Chief Financial Officers Act*, the Office of the Inspector General contracted with Grant Thornton, LLP to independently audit our financial statements. In its audit, Grant Thornton, LLP found that our financial statements, as contained in this *FY 2011 Performance and Accountability Report*, are presented fairly, in all material respects, and in conformity with accounting principles generally accepted in the United States of America. We take the stewardship of our programs very seriously, and we continue to demonstrate an unyielding dedication to sound financial management practices.

Trend: We have received an unqualified audit opinion every year from FY 1994 to FY 2011.

Data Definition: The receipt of an unqualified audit opinion from an independent auditor. An unqualified opinion on the financial statements is provided when an independent auditor determines that agency financial statements are presented fairly, in all material respects, and are in conformity with accounting principles generally accepted in the United States of America.

Data Source: Independent auditor's report

Strategic Objective 4.6: Use "Green" Solutions to Improve Our Environment

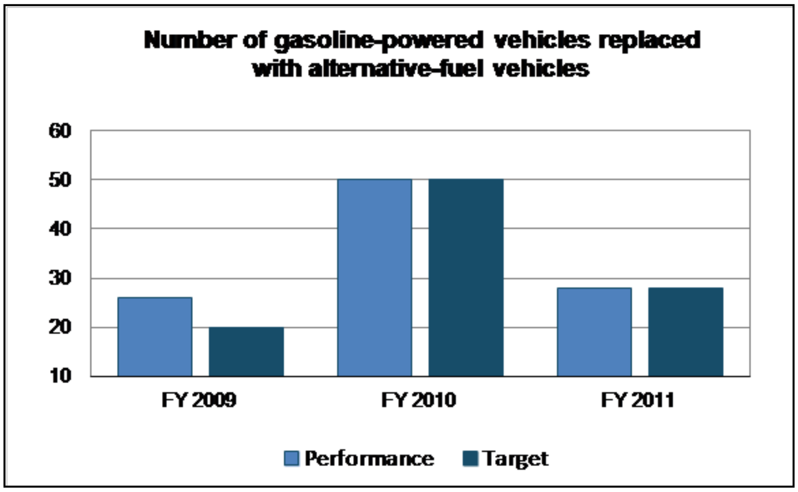
4.6a: Replace gasoline-powered vehicles with alternative-fuel vehicles

FY 2011 Target:	75% of FY 2011 inventory replaced (28 vehicles)
Performance:	75% of FY 2011 inventory replaced (28 vehicles)
Target Achieved:	Yes

Discussion: In FY 2011, we replaced 28 gasoline-powered vehicles in our nationwide inventory with alternative-fuel vehicles. In addition, we provided recurring training to fleet liaisons to ensure that all components assigned government leased or owned vehicles comply with Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*.

We also reduced our petroleum consumption by 20,114 gallons, and increased our alternative-fuel consumption by 31,417 gallons. As a result, we ranked sixth among 21 agencies recognized for reducing petroleum consumption and third for increasing alternative-fuel.

Trend:



Fiscal Year	2009	2010	2011
Performance	26 vehicles	50 vehicles	28 vehicles
Target	20 vehicles	50 vehicles	75% of FY 2011 inventory replaced (28 vehicles)
Target Met	⬆	⬆	⬆

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

Data Source: Agency Fleet Vehicle Inventory

Note: Beginning in FY 2011, we expressed the target as a percentage to better reflect the volume of vehicles replaced with alternative-fuel vehicles.

4.6b: Develop and implement an agency Environmental Management System

FY 2011 Target:	Establish performance objectives
Performance:	Established performance objectives
Target Achieved:	Yes

Discussion: Our Environmental Management System (EMS) ensures we make environmentally conscious decisions when purchasing equipment, disposing of equipment, renovating or constructing new buildings, and implementing a variety of other "green" improvements. We established performance objectives for our effect on the environment by developing environmental goals related to our sustainability plan.

Trend:

Fiscal Year	2009	2010	2011
Performance	Developed a high-level project plan	Provided training needed for implementation	Established performance objectives
Target	Develop a high-level project plan	Provide training needed for implementation	Establish performance objectives
Target Met	⬆	⬆	⬆

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 EMS by 2012.

Data Source: Office of Management and Budget Environmental Scorecard Workgroup

Comparison of FY 2011 Performance Year End Totals for Week 52 and Week 53

We accumulate much of our performance data based on an operating month rather than a true calendar month. An operating month ends on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks.

Every 5 or 6 years the fiscal year contains 53 weeks rather than the normal 52 weeks because the year is not evenly divisible by 7 days. FY 2011 is a 53-week fiscal year. Traditionally, we end the September operating month data as well as the fiscal year data, after the 52nd week to ensure data is comparable between quarters and fiscal years. This policy does not affect SSA's financial data.

We accumulate 17 of our FY 2011 performance measures on an operating month basis. The table below shows fiscal year performance through the end of the 52nd week (September 23, 2011) as well as the end of the 53rd week (September 30, 2011). Our remaining *Government Performance and Results Act* performance measures are not affected by this issue.

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence				
Performance Measure		FY 2011 Target	FY 2011 Actual through Week 52	FY 2011 Actual through Week 53
1.1a	Complete the budgeted number of hearing requests	815,000	793,563	795,424
1.1b	Achieve the budgeted goal for SSA hearings case production per workyear	107	111	109
1.2a	Achieve the target number of hearing requests pending	725,000	771,318	787,190
1.2b	Achieve the target to eliminate the oldest hearing requests pending	Less than 0.5% of hearing requests pending 775 days or older	0.09% of hearing requests pending 775 days or older	0.09% of hearing requests pending 775 days or older
1.2c	Achieve the budgeted goal for average processing time for hearing requests	365 days	360 days	360 days
1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending	Less than 1% of Appeals Council requests for review pending 650 days or older	0.1% of Appeals Council requests for review pending 650 days or older	0.3% of Appeals Council requests for review pending 650 days or older
1.2e	Achieve the target average processing time for Appeals Council requests for review	370 days	360 days	358 days

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process				
Performance Measure		FY 2011 Target	FY 2011 Actual through Week 52	FY 2011 Actual through Week 53
2.1a	Achieve the target percentage of initial disability cases identified as a Quick Disability Determination or a Compassionate Allowance	5% (September only)	5.8% (September only)	5.9% (September only)
2.1b	Complete the budgeted number of initial disability claims	3,273,000	3,371,250	3,390,936

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process				
Performance Measure		FY 2011 Target	FY 2011 Actual through Week 52	FY 2011 Actual through Week 53
2.1c	Minimize average processing time for initial disability claims to provide timely decisions	118 days	109 days	109 days
2.1e	Disability Determination Services cases production per workyear	275	291	287
2.2a	Achieve the target percentage of initial disability claims filed online	34%	33%	33%
2.2b	Achieve the target number of initial disability claims pending	845,000	720,319	759,023
2.3b	Increase the percentage of disability cases evaluated using health Information Technology	500% above FY 2010 baseline (18,000)	100% above FY 2010 baseline (5,986)	108% above FY 2010 baseline (6,235)

Strategic Goal 3: Improve Our Retiree and Other Core Services				
Performance Measure		FY 2011 Target	FY 2011 Actual through Week 52	FY 2011 Actual through Week 53
3.1a	Percent of retirement, survivors, and health insurance claims receipts completed up to the budgeted level	100% (4,590,000)	104% (4,795,086)	106% (4,877,955)
3.1b	Achieve the target percentage of retirement claims filed online	44%	41%	41%

Strategic Goal 4: Preserve the Public's Trust in Our Programs				
Performance Measure		FY 2011 Target	FY 2011 Actual through Week 52	FY 2011 Actual through Week 53
4.1a	Complete the budgeted number of Supplemental Security Income non-disability redeterminations	2,422,000	2,448,092	2,456,830

Program Evaluation

The following are brief summaries of selected program evaluations we completed during FY 2011 to assess how well our programs are working. We list the evaluations under the strategic goal they support in our *Fiscal Years 2008-2013 Agency Strategic Plan*.

STRATEGIC GOAL 1
ELIMINATE OUR HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

HEARING PROCESS REPORT CARD

We implemented the Hearing Process Report Card in FY 2008 to assess customer satisfaction with our hearing process. Below, we present our FY 2010 results, which were not available when we published our *FY 2010 Performance and Accountability Report.* In FY 2010, satisfaction from awarded and denied individuals reflected statistically significant improvements of 2- to 4-percentage points over the FY 2009 ratings.

Hearing Process Report Card
Percent of Respondents Reporting Customer Satisfaction as "Excellent," "Very Good," or "Good"

Fiscal Year	Satisfaction with the Entire Hearings Process		Overall Opinion of Our Service	
	Awards	Denials	Awards	Denials
2010	84%	33%	80%	39%
2009	82%	31%	76%	37%
2008	80%	29%	74%	34%

We will discuss the results of our FY 2011 Hearing Process Report Card in our *FY 2012 Performance and Accountability Report*.

DISABILITY APPEALS – QUALITY REVIEW ASSESSMENT OF SENIOR ATTORNEY ADVISOR DISABILITY DECISIONS

The following presents our FY 2010 results of our Quality Review Assessment of Senior Attorney Advisor Disability Decisions, which were not available when we published our *FY 2010 Performance and Accountability Report.* We continue to utilize some of our most experienced attorney adjudicators to help eliminate our hearings backlog. They issue fully favorable decisions without the need to conduct an actual hearing in front of an administration law judge (ALJ). The FY 2010 accuracy rate for our Senior Attorney Advisor process was 94 percent, based on a review of 987 decisions. The 4-percentage point change between FY 2008 (98 percent) and FY 2010 (94 percent) is statistically significant.

We will discuss the results of our FY 2011 Quality Review Assessment of Senior Attorney Advisor Disability Decisions in our *FY 2012 Performance and Accountability Report*.

HEARING QUALITY ASSURANCE REVIEW

In FY 2010, we began an in-line quality review of our hearings process to ensure we are providing timely and legally sufficient decisions. We charged our regional offices with the additional responsibility of overseeing the Quality Assurance program. The in-line quality process includes reviews of ready-to-schedule cases, drafts of decisions, and attorney advisors decisions.

In FY 2011, we received and reviewed 2,270 cases. A hiring freeze in the regional offices and headquarters hampered our progress toward full implementation of the in-line Quality Assurance program, but we are still working toward full implementation.

DISABILITY CASE REVIEW OF ADMINISTRATIVE LAW JUDGE HEARING DECISIONS

The following discusses our results of our Disability Case Review of Administrative Law Judge Hearing Decisions, which were not available when we published our *FY 2010 Performance and Accountability Report.* In FY 2010, we conducted a quality review of our ALJ decisions, known as the Disability Case Review. This review evaluates both favorable and unfavorable ALJ hearing decisions. For the last 6 months of FY 2009 (April through September), we agreed with 90 percent of ALJ favorable decisions and 89 percent of their unfavorable decisions. For the first six months of FY 2010 (October through March), we agreed with 85 percent of ALJ favorable decisions and 92 percent of their unfavorable decisions. Neither of the differences between the FY 2009 and FY 2010 favorable and unfavorable decision findings was statistically significant.

We will discuss the results of our FY 2011 Disability Case Review of Administrative Law Judge Hearing Decisions in our *FY 2012 Performance and Accountability Report*.

APPEALS COUNCIL ASSURANCE REVIEW

In FY 2011, the Appeals Council began reviewing 3,692 randomly selected favorable and partially favorable ALJ decisions. The purpose of this ongoing review is to ensure policy compliance and legal sufficiency of hearing decisions and to take corrective action, as needed.

STRATEGIC GOAL 2
IMPROVE THE SPEED AND QUALITY OF OUR DISABILITY PROCESS

DISABILITY INITIAL CLAIMS REPORT CARD

The following discusses our FY 2010 results, which were not available when we published our *FY 2010 Performance and Accountability Report.* The Disability Initial Claims Report Card is an annual survey to measure customer satisfaction with our initial disability application process. We survey disability claimants – both Social Security and Supplemental Security Income – during the following stages of the application process:

- Mid-process claimants, selected after the application is filed but before a decision is made;
- Post-adjudicative awards, selected after the application is filed and after the decision awarding benefits; and

- Post-adjudicative denials, selected after filing an application and after the decision denying benefits, are completed.

We asked those surveyed to rate their level of satisfaction for two categories – ease of filing the disability application and their overall opinion of our service. Below we summarize the Disability Initial Claims Report Card results for FY 2010, showing the percentage of respondents rating our service "excellent," "very good," or "good" (E/VG/G) for each. Satisfaction remained stable with no statistically significant differences between the two years.

Disability Initial Claims Report Card Survey Results

Fiscal Year	Ease of Filing the Disability Application			Overall Opinion of Our Service		
	Mid-Process	Awards	Denials	Mid-Process	Awards	Denials
2010	83%	90%	56%	83%	92%	51%
2009	83%	90%	56%	84%	92%	51%

We will discuss the results of our FY 2011 Disability Initial Claims Report Card survey in our *FY 2012 Performance and Accountability Report*.

Evaluation of Ticket to Work Programs and Adequacy of Incentives

The *Ticket to Work and Work Incentives Act of 1999* (Public Law 106-170) requires the Commissioner of Social Security to assess the effectiveness of our Ticket to Work program and submit reports to Congress with the findings and recommendations to improve the program. In FY 2011, we produced our fifth evaluation report for the *Ticket to Work and Work Incentives Act of 1999* (Public Law 106-170) as a series of nine papers plus a "Highlights" paper with an introduction and executive summary. In this report, we analyzed beneficiary work activity over time. Our findings that are of particular interest are as follows:

- Despite the challenges they face, about 40 percent of beneficiaries with disabilities had relatively high employment expectations, and more than a quarter of beneficiaries worked at some point in time while receiving benefits. About one in every eight beneficiaries with disabilities eventually had their benefits suspended or terminated due to work;
- Many of those who successfully left the disability rolls for work were able to remain off the rolls for a substantial period of time;
- Younger beneficiaries were the most likely to pursue employment. They were almost twice as likely to be employed or have their benefits suspended or terminated due to work as other beneficiaries; and
- Most beneficiaries who work or who have their Social Security disability insurance benefits or Supplemental Security Income (SSI) disability benefits suspended or terminated due to work do not use the Ticket to Work program or the Vocational Rehabilitation program, but those who use these programs earn more and have better long-term outcomes.

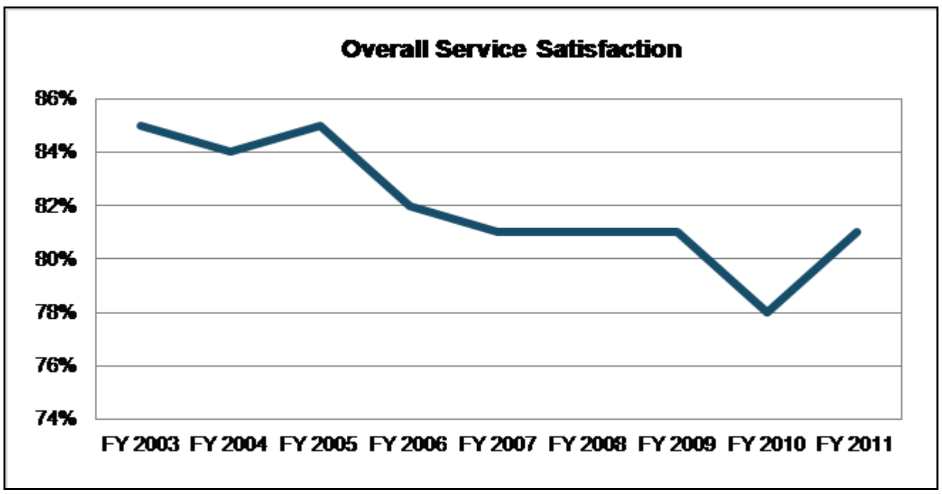
More information about Ticket to Work evaluation reports is available at www.socialsecurity.gov/disabilityresearch/research.htm#Ticket.

STRATEGIC GOAL 3
IMPROVE OUR RETIREE AND OTHER CORE SERVICES

OVERALL SERVICE SATISFACTION SURVEYS

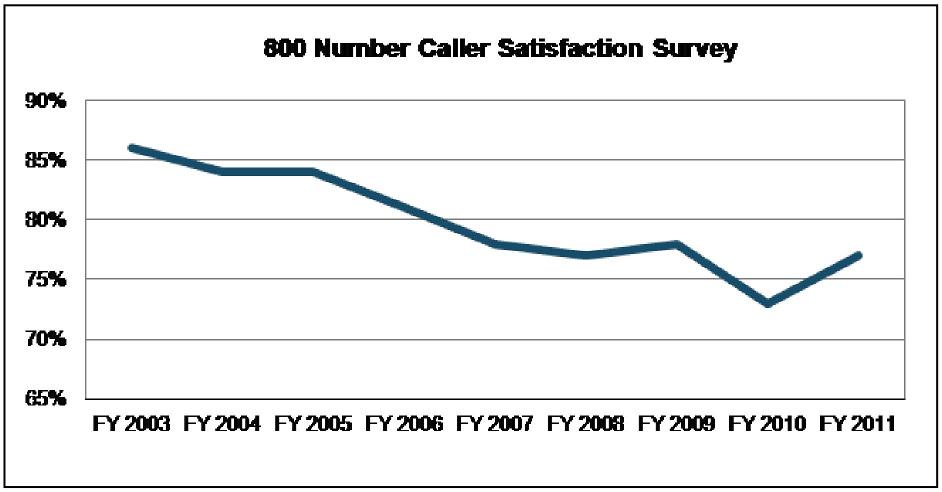
We continually evaluate our retirement and other core services by surveying people who use them. These surveys reflect the public's perception of the services we provide via the Internet, telephone, or in-person. The feedback helps us identify strengths and weaknesses in our service delivery so we can make necessary improvements. We combined the results of our satisfactions surveys, discussed in more detail below, to produce a single FY 2011 customer satisfaction measure. In FY 2011, the combined results indicated 81 percent (rounded from 81.4 percent) of the respondents rated our overall service as Excellent/Very Good/Good (E/VG/G). This rate reflects a return to the level prevailing for the last 5 years after there was a statistically significant drop in FY 2010 to 78 percent (rounded from 78.2 percent).

Below, we show our service satisfaction ratings (rounded to nearest whole percentage) from FY 2003 through FY 2011.



National 800 Number Caller Survey

For FY 2011, the overall satisfaction rate for the National 800 Number Caller Survey was 77 percent E/VG/G. Below we discuss our National 800 Number Caller Survey results for FY 2010. We will present a complete discussion of the FY 2011 National 800 Number Caller survey results in our *FY 2012 Performance and Accountability Report*. The following graph illustrates our 800 Number Caller satisfaction rates from FY 2003 through FY 2011:

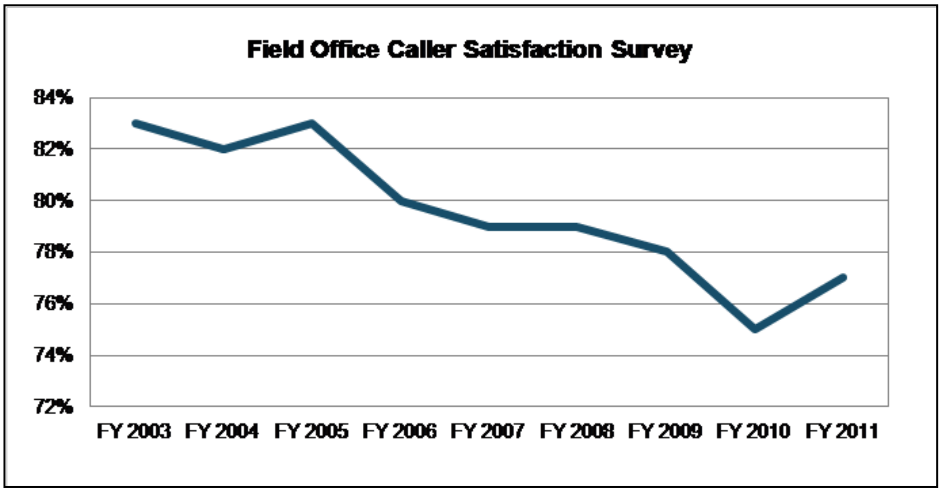


Our telephone service remains a primary option for providing service to the public. In FY 2010, our telephone agents handled nearly 42 million calls to our National 800 Number and 25 million callers used our automated services. Our FY 2010 survey showed that satisfaction with National 800 Number service declined significantly to 73 percent E/VG/G from the FY 2009 level of 78 percent. This significant decline in overall satisfaction was linked to a similar decline in the rating of "access," i.e., getting through to be served. The access rating for FY 2010 dropped to 63 percent E/VG/G from 68 percent the year before. The rating of access was influenced by respondents' perceptions of how easy it was to reach the type of service they needed through our speech recognition system. Nearly half of the respondents surveyed in FY 2010 said that it was somewhat or very hard to reach the type of service they needed. These respondents gave an access rating of 42 percent E/VG/G, in sharp contrast to the 81 percent rating of access given by respondents who felt it was easy to use our speech recognition system. Another factor that affected the rating of access was the perception of time spent on hold waiting to be served. For those callers placed on hold prior to speaking with an agent, just over half (53 percent) rated the length of time they waited as E/VG/G. Respondents who were satisfied with the time spent on hold gave a much higher access rating (77 percent E/VG/G) than those who were not (17 percent E/VG/G).

Satisfaction with our 800 Number services was also related to the type of service callers used. In our FY 2010 survey, respondents who spoke with an agent gave an overall satisfaction rating of 83 percent E/VG/G, significantly higher than the 65 percent rating from respondents who used an automated service. Respondents' satisfaction with service provided by our agents was also evident in their ratings of staff performance. Ratings of staff performance – courtesy, helpfulness, job knowledge, and clarity of explanations – ranged from 87 to 91 percent E/VG/G.

Field Office Caller Survey

For FY 2011, the overall satisfaction rate for the Field Office Caller Survey was 77 percent E/VG/G. Below we discuss our Field Office Caller Survey results for FY 2010. We will present a complete discussion of the FY 2011 Field Office Caller Survey results in our *FY 2012 Performance and Accountability Report*. The following graph illustrates our field office caller satisfaction rates from FY 2003 through FY 2011:

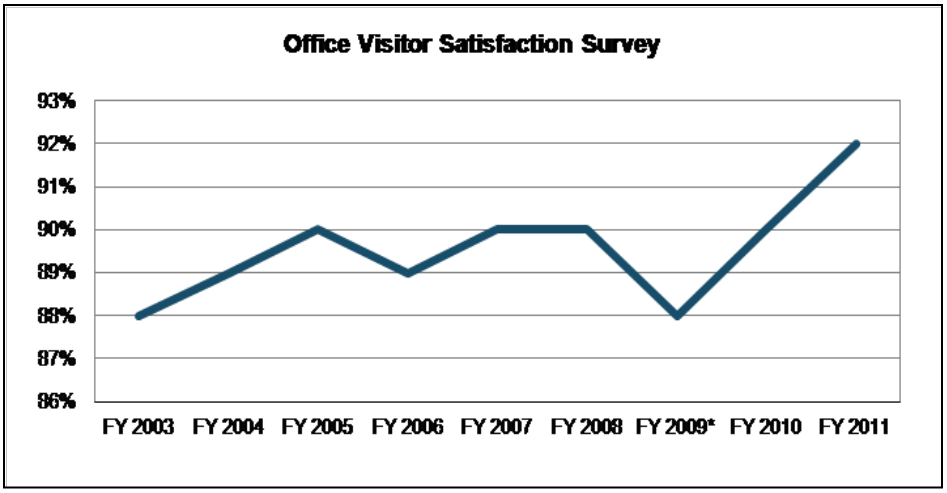


In FY 2010, 75 percent of the respondents to our Field Office Caller Survey rated the overall service they received when they called an office as E/VG/G. The difference between the FY 2010 satisfaction rate and the FY 2009 rate of 78 percent E/VG/G was not statistically significant. However, over time small annual declines in the overall service ratings have resulted in a level of satisfaction that is significantly lower than the high point of 83 percent achieved in FYs 2003 and 2005. Like 800 Number service, satisfaction with field office telephone service has been linked over time to satisfaction with access. In our FY 2010 survey, respondents who were satisfied with access to field office telephone service gave an overall service rating of 90 percent E/VG/G; this rating dropped to 45 percent E/VG/G for respondents who were dissatisfied with access. The FY 2010 access rating itself stayed essentially the same as the last few years, 67 percent E/VG/G. Factors affecting the perception of access in FY 2010 included having to make more than one call to reach the field office (44 percent of respondents) and waiting on hold to be served (60 percent of respondents who spoke to an agent waited on hold; 62 percent were satisfied with the length of their wait). Reaching voicemail rather than an agent also affected satisfaction with access and service overall. Respondents who spoke with an agent gave an access rating of 74 percent and an overall service rating of 86 percent E/VG/G. Respondents who were routed to voicemail gave significantly lower ratings for both access (60 percent E/VG/G) and service overall (59 percent E/VG/G).

As in our 800 Number Caller Survey, FY 2010 Field Office Caller Survey respondents were very satisfied with the various aspects of staff performance. Respondents rated helpfulness, courtesy, job knowledge, and clarity of explanations from 87 to 91 percent E/VG/G, similar to ratings in previous years.

Office Visitor Survey

For FY 2011, the overall satisfaction rate for the Office Visitor Survey was 92 percent E/VG/G. Satisfaction was the same (92 percent E/VG/G) whether they visited the field office, hearing office, or a Social Security card center (included for the first time in the FY 2011 survey). Below we discuss our Office Visitor Survey results for FY 2010. We will present a complete discussion of the FY 2011 Office Visitor Survey results in our *FY 2012 Performance and Accountability Report*. The following graph illustrates our office visitor satisfaction rates from FY 2003 through FY 2011:



*Beginning FY 2009, we included Internet Survey results.

Our FY 2010 Office Visitor Survey included people who visited our field and hearing offices. In FY 2010, 90 percent of the respondents rated the overall service they received during their office visit as E/VG/G. This rating, which was significantly higher than the overall service rating of 88 percent in FY 2009, returns satisfaction levels to those recorded from FYs 2006 through 2008. Among field office visitors, satisfaction with office waiting time also rose significantly in FY 2010, with 78 percent of respondents rating waiting time as E/VG/G compared with 75 percent in FY 2009. Office waiting time is generally one of the lower rated aspects of field office service; improvement in the publics' perception of waiting time can carry over to improvement in satisfaction with service overall.

FY 2010 also saw an improvement in the rating of office privacy. Satisfaction with office privacy in FY 2010 (81 percent E/VG/G) showed a marked improvement over FY 2009 (75 percent E/VG/G). This was the first time since the Office Visitor Survey began in FY 1999 that the privacy rating advanced into the 80 percent range and reflects the positive impact of the improvements we are making in the field office experience. In addition, office visitors continued to give very favorable ratings for staff performance. Employee helpfulness, courtesy, knowledge, and clarity of explanations received ratings ranging from 91 to 93 percent E/VG/G in FY 2010.

Internet Report Card Survey

For FY 2011, the overall satisfaction rate for the Internet Report Card Survey was 92 percent E/VG/G. Satisfaction with our online applications was 91 percent E/VG/G and satisfaction with our online change of address and direct deposit services was 96 percent E/VG/G. Following we discuss our Internet Report Card Survey results for FY 2010. We will present a complete discussion of the FY 2011 Internet Report Card Survey results in our *FY 2012 Performance and Accountability Report*.

In FY 2010, we conducted our first annual Internet Report Card Survey. The survey included people who used one of our online applications to file for retirement benefits, Social Security disability benefits, or Extra Help with Medicare prescription drug plan costs. In addition to assessing overall satisfaction with our online application, the

Internet Report Card Survey covers aspects of online services that influence customer satisfaction, such as ease of finding the application and how easy it is to complete the application.

In our FY 2010 survey, respondents gave both our online application for benefits and our Extra Help application an overall rating of 91 percent E/VG/G. Most respondents were satisfied with the ease of finding the online application on our website (benefit applicants – 95 percent E/VG/G; Extra Help applicants – 90 percent E/VG/G). Most also found it easy to provide the information required for the application (benefit applicants – 89 percent E/VG/G; Extra Help applicants – 88 percent E/VG/G). For benefit applicants, the aspects of the experience that received the lowest ratings were the time it took to complete the online application (77 percent E/VG/G) and how well SSA's website explained information they needed to know about their benefits (83 percent E/VG/G). For Extra Help applicants, information about benefits was also one of the lower rated aspects of service (84 percent E/VG/G), as was the number of pages they had to navigate before starting the online application (82 percent E/VG/G).

In subsequent years, we plan to expand the Internet Report Card Survey to include additional categories of transactions currently offered on our website: online medical forms completed in connection with a disability initial claim or appeal and requests for information, such as benefit verification.

Quality Reviews and Service Evaluations

National 800 Number Telephone Service Evaluation

We monitor calls to our National 800 Number to evaluate both the accuracy of the information our telephone agents provide and the actions they take. Each year we monitor about 3,000 calls handled by agents in our 41 call centers nationwide. We randomly select and monitor calls throughout the year based on a statistical sampling methodology. Our agents do not know when we monitor their calls. We use the results of our annual National 800 Number Service Evaluation, which we have conducted on an ongoing basis since 1989, to identify training needs and clarify operating instructions for our agents.

We assess the accuracy of the information agents provide and the actions they take based on our program policies and operating guidelines. We use two measures of accuracy to evaluate our National 800 Number services. Payment accuracy indicates the percentage of calls free of payment error. A payment error occurs when an agent's information or action (or failure to give information or take action) has the potential to affect a caller's payment or eligibility for benefits adversely. The second accuracy measure we use is service accuracy, which reflects the percentage of calls free of service error. A service error occurs when an agent does not meet the caller's need for information, causes the caller inconvenience, or creates an unnecessary additional workload. Our latest published accuracy rates are for FY 2010. Payment accuracy was 97.4 percent and service accuracy was 87.3 percent.

Field Office Telephone Service

We conduct an annual evaluation of the telephone service in our field offices. Each year we select a random sample of over 100 field offices across the country for the evaluation. We monitor about 2,000 randomly selected calls over the course of the year to assess the accuracy of the information agents provide and the actions they take. The agents do not know when we monitor their calls. We use the results of our Field Office Telephone Service Evaluation, which we have conducted since 1999, to identify training needs and clarify operating instructions for our agents.

This evaluation identifies the specific causes of error and the operating policies that were not followed. It uses the same standards of payment and service accuracy as our 800 Number Service Evaluation discussed above. Our latest published accuracy rates are for FY 2010. Payment accuracy was 95.6 percent and service accuracy was 76.2 percent.

Enumeration Quality Review

The following presents results from our Enumeration Quality Review. These results were not available when we published our *FY 2010 Performance and Accountability Report.* Each year we process approximately 6 million original and 11 million replacement Social Security card applications. We also verify SSNs more than one billion times a year through a variety of electronic data exchanges with public and private organizations. We refer to the process of assigning and issuing SSNs as enumeration. To assess the accuracy of our enumeration process, we conduct annual reviews using a random sample of original SSNs assigned during the fiscal year by one of the following means:

- Enumeration-at-Birth - Parents can apply for a SSN 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 SSN and issue a Social Security card;
- Enumeration-at-Entry - Certain non-citizens can apply for a SSN as part of the Department of State's immigration process. When an immigrant enters the United States, the Department of Homeland Security electronically transmits enumeration information to us. If an immigrant qualifies, we assign a SSN and issue a Social Security card; and
- SSN Applications - People complete a Form SS-5, Application for a Social Security Card, submit it to a local field office or Social Security card center, or file an application electronically through the Social Security Number Application Process during an in-office interview.

In FY 2010, enumeration accuracy for the assignment of a SSN was 99.9 percent. The most commonly cited error occurred when applicants received two different SSNs: one through the Enumeration-at-Entry process and one through the SS-5 process.

We will discuss the FY 2011 Enumeration Quality Review results in more detail in our *FY 2012 Performance and Accountability.*

STRATEGIC GOAL 4
PRESERVE THE PUBLIC'S TRUST IN OUR PROGRAMS

RETIREMENT, SURVIVORS, AND DISABILITY INSURANCE STEWARDSHIP REVIEW

Stewardship findings provide the basic measure we use to report on the accuracy of Old-Age, Survivors, and Disability Insurance (OASDI) payments. We base the FY 2010 report findings on non-medical reviews of monthly samples of OASDI payments issued from October 2009 through September 2010. We also provide payment accuracy rates for the current and previous reporting periods.

Overall, the OASDI accuracy rate was 99.6 percent for overpayments (O/P) in FY 2010, based on improper payments totaling a projected $2.7 billion (i.e., 99.6 percent of all dollars paid were free of O/P errors). Accuracy for OASDI underpayments (U/P) was 99.8 percent in FY 2010, based on unpaid dollars projected at $1.8 billion (i.e., U/P dollar errors, as a percentage of total dollars paid, were less than 0.3 percent). Comparable accuracy rates for FY 2009 were 99.6 percent for O/Ps and 99.9 percent for U/Ps. The change in the overall OASDI O/P accuracy rate is not statistically significant. Even though the difference in the overall U/P accuracy rates from FYs 2009 to 2010 show a statistically significant decline, it only reflects a small change of less than 0.2 percent.

We will report the results of our FY 2011 Retirement, Survivors, and Disability Insurance Stewardship Review in our *FY 2012 Performance and Accountability Report*.

SUPPLEMENTAL SECURITY INCOME STEWARDSHIP REVIEW

Stewardship findings provide the basic measure we use to report on the accuracy of SSI payments. We base the FY 2010 report findings on non-medical reviews of monthly samples of SSI payments issued from October 2009 through September 2010. We also provide payment accuracy rates for the current and previous reporting periods.

Overall, the SSI accuracy rate was 93.3 percent for overpayments (O/Ps) in FY 2010 based on improper payments totaling a projected $3.34 billion (i.e., 93.3 percent of all dollars paid were free of O/P errors) compared to an O/P accuracy rate of 91.6 percent in FY 2009. The increase in the O/P accuracy rate from FY 2009 to FY 2010 is statistically significant. The accuracy rate for SSI underpayments (U/Ps) was 97.6 percent based on unpaid dollars projected at $1.23 billion in U/Ps (i.e., U/P dollar errors, as a percentage of total dollars paid, were 2.4 percent) compared to a 98.4 percent U/P accuracy rate in FY 2009. The difference in the U/P accuracy rate from FY 2009 to FY 2010 is also statistically significant.

We will report the results of our FY 2011 Supplemental Security Income Stewardship Review in our *FY 2012 Performance and Accountability Report.*

THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT OF 2002 REPORT TO CONGRESS

The *Federal Information Security Management Act* (FISMA) is part of the *eGovernment Act of 2002*. FISMA is a security framework requiring Federal agencies to ensure they provide adequate protections for Federal information systems and information. Federal agencies included in the *eGovernment Act of 2002* must submit an annual FISMA status report to the Office of Management and Budget by November 15, 2011. Our report summarizes the results from security reviews conducted of our major information systems and programs, progress on correcting identified weaknesses, and the results of other work performed during the reporting period using Office of Management and Budget's performance measures. There are currently several bills pending in Congress intended to strengthen FISMA. As Congress considers new cyber security legislation, we will continue our efforts to meet and exceed existing information security requirements for protecting Federal information systems and personally identifiable information. More information about the FY 2010 Report to Congress on the Implementation of the *Federal Information Security Management Act of 2002* is available at www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/FY10_FISMA.pdf.

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 (OASI) and Federal Disability Insurance (DI) Trust Funds to report annually to Congress on the financial and actuarial status of the OASI and DI Trust Funds. The *2011 OASDI Trustees Report*, issued May 13, 2011, showed a slight decline in the projected long-term financial status of the Social Security program compared to the Trustees' 2010 report. The primary reasons for this decline were: (1) lower death rates for the population age 65 and over; and (2) near-term lower levels of net other immigration and real earnings. Other highlights in the report included:

- The projected point at which tax revenues will permanently fall below program costs came in 2010 – five years sooner than the estimate in last year's report;
- The projected point at which the combined OASI and DI Trust Funds will be exhausted is 2036 – one year earlier than the estimate in last year's report;
- The projected actuarial deficit over the 75-year long-range period is 2.22 percent of taxable payroll – up from 1.92 percent in last year's report; and

- Over the 75-year period, the OASI and DI Trust Funds would require additional revenue equivalent to $6.5 trillion in present value as of January 1, 2011 to pay all scheduled benefits.

The full *2011 OASDI Trustees Report* is available at www.socialsecurity.gov/OACT/TR/2011.

ANNUAL REPORT OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM

By law, we must report annually to the President and to Congress on the status of the SSI program. The 2011 report, issued in May 2011, covered 2011 to 2035. Significant findings stemming from our evaluation included:

- By 2035, the end of the 25-year projection period, we estimate that the Federal SSI recipient population will reach 9.9 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 we expect the current economic slowdown to temporarily generate additional growth beyond what we might expect from historical trends. We project that the percentage of the population receiving SSI will vary somewhat by age group, with the percentage for those age 65 or older declining throughout the projection period and the percentage for those under age 65 continuing to increase over the next four years, but declining thereafter to a level slightly higher than the current percentage;
- As a percentage of the total U.S. population, the number of Federal SSI recipients increased slightly from 2.37 percent in 2009 to 2.42 percent in 2010. We project this percentage to increase gradually to 2.60 percent of the population by 2035 due largely to the changing age distribution of the population;
- We estimate that Federal expenditures for SSI payments in calendar year 2011 will increase by $1.5 billion to $49.3 billion, an increase of 3.2 percent from 2010 levels;
- In constant 2011 dollars, we project that Federal expenditures for SSI payments will increase to $60.9 billion in 2035, a real increase of 0.9 percent per year; and
- Federal SSI expenditures in 2008 were 0.293 of Gross Domestic Product (GDP), and increased to 0.325 percent in 2009. Expenditures increased slightly to 0.326 percent of GDP in 2010, and we project a slight decrease to 0.324 percent in 2011. Expenditures will continue to decline thereafter to 0.244 percent of GDP by 2055.

More information about the *2011 Annual Report of the Supplemental Security Income Program* is available at www.socialsecurity.gov/OACT/ssir/SSI11/index.html.

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FINANCIAL SECTION

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

In fiscal year (FY) 2011, we upheld our strong commitment to accountability and fiscal discipline, as we received our 18th consecutive unqualified audit opinion on our financial statements. The unqualified opinion confirms that our financial statements present fairly, in all material respects, the financial position of the Social Security Administration (SSA). Our dedication to excellence in financial reporting demonstrates our commitment to be responsible stewards of the funds the American people entrust to us.

We also received an unqualified opinion from our auditors on our assertion that our internal control over financial reporting operated effectively in FY 2011. The auditors found no material weaknesses; however, they continued to cite an ongoing significant deficiency related to internal controls over information security. Since the auditors first noted this deficiency, we have worked diligently to correct all known issues to further strengthen our control environment and mitigate risks. Our corrective actions will span multiple years as we are making comprehensive changes to strengthen our security platform. Additional information about our progress in addressing the significant deficiency is available in the *Systems and Controls* and the *Auditor's Reports* sections of this report.

During this past year, we continued to pursue information technology advancements that ensure relevant, reliable, and timely accounting and management information. We upgraded our accounting system by implementing new software tools that improve application controls, prevent potential security violations, and strengthen user access policies and internal controls. We also piloted the Internet Payment Platform, which provides a paperless workflow for accounting information and documents. Finally, we continued work on modernizing the cost analysis system, which will better manage and account for resources and enhance decision-making.

Given current budget constraints, we found new ways to reduce our costs so that we could maintain our most critical services. To support the President's Accountable Government Initiative, we scrutinized our real estate infrastructure and made cost-effective choices to consolidate offices where it made good business sense and encourage people to use our highly rated electronic services. We also focused our efforts on achieving savings in our acquisition process. We will continue to pursue initiatives to reduce costs, improve our efficiency, and operate effectively.

In acknowledgment of our commitment to transparency and accountability for our *Performance and Accountability Report* for FY 2010, we received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants. We have received this honor for 13 consecutive years.

Our achievements are directly attributable to our employees who are committed to our mission and to serving the public. We are dedicated to strong stewardship of the Social Security Trust Funds.

Michael G. Gallagher
Chief Financial Officer
November 7, 2011

Financial Statements and Additional Information

The agency's financial statements and additional information for fiscal years (FY) 2011 and 2010 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2011 and 2010, 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, 2011 and 2010. 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, 2011 and 2010. 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, 2011 and 2010. 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 present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest 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 on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period.
- The **Statement of Changes in Social Insurance Amounts** reconciles the change (between the current valuation and the prior valuation) in the present value of future noninterest income less future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies several components of the change that are significant and provides reasons for the changes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries, 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, 2011 and 2010
(Dollars in Millions)

Assets	2011	2010
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	$ 5,115	$ 6,187
Investments (Note 5)	2,654,496	2,586,333
Interest Receivable, Net (Note 5)	28,085	28,893
Accounts Receivable, Net (Note 6)	625	915
Other	23	2
Total Intragovernmental	2,688,344	2,622,330
Accounts Receivable, Net (Notes 3 and 6)	11,089	10,369
Property, Plant, and Equipment, Net (Notes 3 and 7)	2,909	2,825
Other	2	3
Total Assets	$ 2,702,344	$ 2,635,527
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	$ 4,227	$ 4,418
Accounts Payable	8,357	8,525
Other	259	269
Total Intragovernmental	12,843	13,212
Benefits Due and Payable	82,218	80,785
Accounts Payable	485	473
Other	1,060	1,467
Total Liabilities	96,606	95,937
Net Position		
Unexpended Appropriations-Earmarked Funds (Note 9)	61	61
Unexpended Appropriations-Other Funds	376	412
Cumulative Results of Operations-Earmarked Funds (Note 9)	2,604,111	2,537,480
Cumulative Results of Operations-Other Funds	1,190	1,637
Total Net Position	2,605,738	2,539,590
Total Liabilities and Net Position	$ 2,702,344	$ 2,635,527

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2011 and 2010

(Dollars in Millions)

		2011		2010
OASI Program				
Benefit Payments	$	593,047	$	574,223
Operating Expenses (Note 10)		3,858		3,584
Total Cost of OASI Program		596,905		577,807
Less: Exchange Revenues (Notes 11 and 12)		(14)		(15)
Net Cost of OASI Program		596,891		577,792
DI Program				
Benefit Payments		127,471		121,598
Operating Expenses (Note 10)		3,282		3,028
Total Cost of DI Program		130,753		124,626
Less: Exchange Revenues (Notes 11 and 12)		(43)		(42)
Net Cost of DI Program		130,710		124,584
SSI Program				
Benefit Payments		49,041		43,844
Operating Expenses (Note 10)		4,216		3,798
Total Cost of SSI Program		53,257		47,642
Less: Exchange Revenues (Notes 11 and 12)		(358)		(301)
Net Cost of SSI Program		52,899		47,341
Other				
Benefit Payments		7		8
Operating Expenses (Note 10)		2,230		2,546
Total Cost of Other Program		2,237		2,554
Less: Exchange Revenues (Notes 11 and 12)		(9)		(10)
Net Cost of Other		2,228		2,544
Total Net Cost				
Benefit Payments		769,566		739,673
Operating Expenses (Note 10)		13,586		12,956
Total Cost		783,152		752,629
Less: Exchange Revenues (Notes 11 and 12)		(424)		(368)
Total Net Cost	$	782,728	$	752,261

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011			2010		
	Earmarked Funds	**All Other Funds**	**Total**	Earmarked Funds	All Other Funds	Total
Cumulative Results of Operations:						
Beginning Balances	**$ 2,537,480**	**$ 1,637**	**$ 2,539,117**	$ 2,456,852	$ 1,235	$ 2,458,087
Budgetary Financing Sources						
Appropriations Used	**101,998**	**55,974**	**157,972**	22,845	50,975	73,820
Tax Revenues (Note 13)	**580,886**	**0**	**580,886**	646,673	0	646,673
Interest Revenues	**115,169**	**0**	**115,169**	118,014	0	118,014
Transfers-In/Out - Without Reimbursement	**(5,858)**	**7,641**	**1,783**	(5,952)	7,841	1,889
Railroad Retirement Interchange	**(4,383)**	**0**	**(4,383)**	(4,500)	0	(4,500)
Net Transfers-In/Out	**(10,241)**	**7,641**	**(2,600)**	(10,452)	7,841	(2,611)
Other Budgetary Financing Sources	**67**	**0**	**67**	63	0	63
Other Financing Sources (Non-Exchange)						
Imputed Financing Sources (Note 14)	**0**	**680**	**680**	0	709	709
Other	**0**	**(3,262)**	**(3,262)**	0	(3,377)	(3,377)
Total Financing Sources	**787,879**	**61,033**	**848,912**	777,143	56,148	833,291
Net Cost of Operations	**721,248**	**61,480**	**782,728**	696,515	55,746	752,261
Net Change	**66,631**	**(447)**	**66,184**	80,628	402	81,030
Cumulative Results of Operations	**$ 2,604,111**	**$ 1,190**	**$ 2,605,301**	$ 2,537,480	$ 1,637	$ 2,539,117
Unexpended Appropriations:						
Beginning Balances	**$ 61**	**$ 412**	**$ 473**	$ 58	$ 680	$ 738
Adjustments						
Corrections of Errors	**0**	**0**	**0**	5	0	5
Beginning Balances, as Adjusted	**$ 61**	**$ 412**	**$ 473**	$ 63	$ 680	$ 743
Budgetary Financing Sources						
Appropriations Received	**102,008**	**56,351**	**158,359**	22,851	51,480	74,331
Other Adjustments	**(10)**	**(413)**	**(423)**	(8)	(773)	(781)
Appropriations Used	**(101,998)**	**(55,974)**	**(157,972)**	(22,845)	(50,975)	(73,820)
Total Budgetary Financing Sources	**0**	**(36)**	**(36)**	(2)	(268)	(270)
Total Unexpended Appropriations	**61**	**376**	**437**	61	412	473
Net Position	**$ 2,604,172**	**$ 1,566**	**$ 2,605,738**	$ 2,537,541	$ 2,049	$ 2,539,590

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011	2010
Budgetary Resources (Note 15)		
Unobligated Balance, Brought Forward, October 1	**$ 2,095**	$ 2,584
Recoveries of Prior Year Unpaid Obligations	**410**	411
Budget Authority		
Appropriation	**982,487**	882,359
Spending Authority from Offsetting Collections		
Earned		
Collected	**3,914**	3,650
Change in Receivable	**0**	2
Change in Unfilled Customer Orders		
Advance Received	**(287)**	(14)
Expenditure Transfers from Trust Funds	**11,214**	11,466
Subtotal	**997,328**	897,463
Nonexpenditure Transfers, Net	**(76)**	(18)
Temporarily Not Available Pursuant to Public Law	**(92,033)**	(101,020)
Permanently Not Available	**(426)**	(786)
Total Budgetary Resources	**$ 907,298**	$ 798,634
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	**$ 902,516**	$ 792,886
Reimbursable	**3,912**	3,653
Subtotal	**906,428**	796,539
Unobligated Balances		
Apportioned	**291**	861
Unobligated Balance - Not Available	**579**	1,234
Total Status of Budgetary Resources	**$ 907,298**	$ 798,634
Change in Obligated Balance		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	**$ 87,604**	$ 87,128
Uncollected Customer Payments, Brought Forward, October 1	**(3,830)**	(3,743)
Total Unpaid Obligated Balance, Net	**83,774**	83,385
Obligations Incurred, Net	**906,428**	796,539
Gross Outlays	**(905,296)**	(795,652)
Recoveries of Prior Year Unpaid Obligations, Actual	**(410)**	(411)
Change in Uncollected Customer Payments	**755**	(87)
Obligated Balance, Net, End of Period		
Unpaid Obligations	**88,326**	87,604
Uncollected Customer Payments	**(3,075)**	(3,830)
Total Unpaid Obligated Balance, Net, End of Period	**$ 85,251**	$ 83,774
Net Outlays		
Net Outlays		
Gross Outlays	**$ 905,296**	$ 795,652
Offsetting Collections	**(15,596)**	(15,016)
Distributed Offsetting Receipts	**(105,395)**	(26,455)
Net Outlays	**$ 784,305**	$ 754,181

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, 2011
(Dollars in Billions)

		Estimates from Prior Years			
	2011	**2010**	**2009**	**2008**	**2007**
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	$ 726	$ 672	$ 575	$ 542	$ 477
Cost for scheduled future benefits	8,618	8,096	7,465	6,958	6,329
Future noninterest income less future cost	-7,892	-7,424	-6,890	-6,416	-5,851
Participants who have not yet attained retirement eligibility age (ages 15-61):					
Noninterest income	20,734	19,914	18,559	18,249	17,515
Cost for scheduled future benefits	34,042	32,225	30,207	29,021	27,928
Future noninterest income less future cost	-13,309	-12,311	-11,647	-10,772	-10,413
Present value of future noninterest income less future cost for current participants (closed group measure)	-21,201	-19,735	-18,537	-17,188	-16,264
Combined OASI and DI Trust Fund assets at start of period	2,609	2,540	2,419	2,238	2,048
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund assets at start of period	-$ 18,592	-$ 17,195	-$ 16,118	-$ 14,949	-$ 14,216
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Future participants (those under age 15 and to be born and to immigrate during period):					
Noninterest income	20,144	19,532	18,082	17,566	16,121
Cost for scheduled future benefits	8,100	7,744	7,223	6,933	6,619
Future noninterest income less future cost	12,044	11,789	10,860	10,633	9,501
Present value of future noninterest income less future cost for current and future participants (open group measure)	-9,157	-7,947	-7,677	-6,555	-6,763
Combined OASI and DI Trust Fund assets at start of period	2,609	2,540	2,419	2,238	2,048
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund assets at start of period	-$ 6,548	-$ 5,406	-$ 5,258	-$ 4,316	-$ 4,715

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

Statement of Changes in Social Insurance Amounts
Old-Age, Survivors and Disability Insurance
For Changing the 75-Year Valuation Period from Beginning on January 1, 2010 to January 1, 2011
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund assets at start of period
As of January 1, 2010	-$ 7,947	$ 2,540	-$ 5,406
Reasons for changes between January 1, 2010 and January 1, 2011 (Note 17)			
Change in the valuation period	-436	77	-359
Changes in demographic data, assumptions, and methods	-688	0	-688
Changes in economic data, assumptions, and methods	-143	0	-143
Changes in methodology and programmatic data	56	-8	48
Net change between January 1, 2010 and January 1, 2011	-$ 1,211	$ 69	-$ 1,142
As of January 1, 2011	-$ 9,157	$ 2,609	-$ 6,548

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, 2011 AND 2010

(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 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 for Federal entities 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 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 OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and six general fund appropriations. SSA's financial statements also include appropriations related to the *American Recovery and Reinvestment Act of 2009* (ARRA).

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 six general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, Payments for Credits Against Social Security Contributions, Medicare Savings Program, and Children's Health Insurance Program. SSA's financial statements also include OASI and DI investment activities performed by the Department of the Treasury (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 SSI overpayment collections and other 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 Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and 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. Refer to Note 5, Investments and Interest Receivable.

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. 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 software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing (ADP), Telecommunications Site Preparation, and Buildings and Other Structures are capitalized with no threshold. Refer to Note 3, Non-Entity Assets, and Note 7, Property, Plant, and Equipment, Net.

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 that affect budgetary obligations.

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. Since October 1, 2011 falls on a Saturday, the October 2011 SSI benefit payments are accelerated into September. The related amounts have been recorded as outlays and expenditures in the financial statements.

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 (U.S.C.).

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 activities that are funded from Treasury's General Fund, including the ARRA appropriations.

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.

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.

Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Payroll Tax Holiday)

In FY 2011, Congress passed the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* (Public Law 111-312). This provides employees a one-year reduction in FICA tax withholdings, reducing rates from 6.2% to 4.2% for the 2011 tax year (January-December). Employers will continue to pay the full 6.2% rate. Self-employed persons, who pay both halves of the Social Security tax through self-employment tax, will pay 10.4%. In order to avoid harming the OASI and DI Trust Funds, the bill also provides the transfer of funds by Treasury from general revenues to the OASI and DI Trust Funds. This activity will result in decreased tax revenues and increased transfers on the financial statements. Refer to Note 13, Tax Revenues, for additional information.

Statement of Social Insurance and Statement of Changes in Social Insurance Amounts

Effective for FY 2011, the Statement of Social Insurance is revised to reflect a new summary section as required by FASAB SFFAS No. 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements.* Also included as part of the new reporting requirements, is a new basic financial statement, Statement of Changes in Social Insurance Amounts, that presents the reasons for changes during the reporting period in the open group measure reported on the Statement of Social Insurance.

Application of Critical Accounting Estimates

The Statement of Social Insurance and Statement of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. Each statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 17, Social Insurance Disclosures.

OASI and DI Trust Fund Buildings

For a number of years, SSA and the General Services Administration (GSA) have disagreed over who would receive the proceeds from the sale of buildings acquired with money from the OASI and DI Trust Funds. In the past, SSA contended that since the buildings were acquired with money from the OASI and DI Trust Funds, the buildings and related proceeds belonged to SSA. However, in December 2010, the Department of Justice (DOJ) issued an opinion stating that the proceeds belonged to GSA based on Section 412 of the *Consolidated Appropriation Act of 2005*. In reviewing this ruling, SSA has reevaluated its recording of these buildings as assets. Effective this year, we removed the Net Book Value of the original buildings. This activity has resulted in an increase in Operating Expense of $118 million on the Statement of Net Costs. Refer to Note 7, Property, Plant, and Equipment, Net, for additional information.

Reclassifications

Certain FY 2010 balances have been reclassified to conform to FY 2011 Financial Statement Note presentations, the effect of which is immaterial. The change occurs in Note 7 in regards to the Buildings and Leasehold Improvement accounts. These changes are attributable to DOJ's ruling on the proceeds of buildings acquired with money from the OASI and DI Trust Funds.

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.

GSA, using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. 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 $81 and $92 million for the years ended September 30, 2011 and 2010. SSA contributions to the basic FERS plan were $418 and $375 million for the years ended September 30, 2011 and 2010. 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 $146 and $135 million for the years ended September 30, 2011 and 2010. 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 and underpayments 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 Treasury's 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)

	2011			2010		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	$ 5,791	$ (316)	$ 5,475	$ 5,544	$ (592)	$ 4,952
SSI Overpayment Collections	2,961	0	2,961	3,237	0	3,237
SSI State Supp Fees (GF)	157	0	157	132	0	132
Title VIII State Supp Fees (GF)	2	0	2	2	0	2
SSI Attorney Fees (GF)	9	0	9	8	0	8
PP&E (CMS)	0	0	0	29	0	29
Total	$ 8,920	$ (316)	$ 8,604	$ 8,952	$ (592)	$ 8,360

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 101-517 requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's 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. When a beneficiary does not receive their full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

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 was also recognized as a non-entity asset as of September 30, 2010. 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 retained that portion of assets. Since SSA removed these buildings, HI/SMI's portion of these assets are no longer on SSA's Balance Sheet as of September 30, 2011. 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 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 Statements of Budgetary Resources.

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

	2011	2010
Trust Funds*		
OASI	$ (606)	$ (463)
DI	(391)	(384)
LAE	(3)	19
General Funds		
SSI	2,372	2,948
Other	586	621
Other Funds		
SSI	191	205
Other	2,966	3,241
Total	$ 5,115	$ 6,187

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

	2011	2010
Unobligated Balance		
Available	$ 200	$ 298
Unavailable	177	401
Obligated Balance Not Yet Disbursed	2,581	2,870
OASI, DI, and LAE	(1,000)	(828)
Non-Budgetary FBWT	3,157	3,446
Total	$ 5,115	$ 6,187

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

The negative fund balances reported for the OASI, DI, and LAE Trust Funds as of September 30, 2011 and 2010 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 $2,654,496 and $2,586,333 million as of September 30, 2011 and 2010, respectively. The interest rates on these investments range from 1⅞ to 6⅞ 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 2026. 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 $28,085 and $28,893 million as of September 30, 2011 and 2010.

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. Governmentwide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Governmentwide 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, NET

Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $625 and $915 million as of September 30, 2011 and 2010 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $2,453 and $2,926 million as of September 30, 2011 and 2010 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, *Accounting for Selected Assets and Liabilities*, 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:
($ in millions)

	2011			2010		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,095	$ (206)	$ 1,889	$ 2,144	$ (208)	$ 1,936
DI	5,955	(2,194)	3,761	5,450	(2,062)	3,388
SSI*	7,800	(2,009)	5,791	7,603	(1,947)	5,656
LAE	4	0	4	15	0	15
Subtotal	15,854	(4,409)	11,445	15,212	(4,217)	10,995
Less:						
Eliminations**	(356)	0	(356)	(626)	0	(626)
Total	$ 15,498	$ (4,409)	$ 11,089	$ 14,586	$ (4,217)	$ 10,369

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

Chart 6 shows that in FY 2011 and 2010, gross accounts receivable was reduced by $356 and $626 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset in FY 2011 and Special Disability Workload cases and Windfall Offset in FY 2010. Windfall Offset is the amount of SSI that would not have been paid if retroactive Title II benefits had been paid timely to eligible beneficiaries. SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs. 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. For the Special Disability Workload cases, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program. As of September 30, 2011, the majority of the Special Disability Workload cases have been resolved and no longer require elimination.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving five-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, Net

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)

	2011			2010		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 0	$ 0	$ 0	$ 4	$ 0	$ 4
Construction in Progress	26	0	26	2	0	2
Buildings and Other Structures	59	(16)	43	442	(273)	169
Equipment (incl. ADP Hardware)	752	(613)	139	685	(546)	139
Internal Use Software	4,843	(2,315)	2,528	4,284	(1,895)	2,389
Leasehold Improvements	425	(252)	173	354	(232)	122
Total	$ 6,105	$ (3,196)	$ 2,909	$ 5,771	$ (2,946)	$ 2,825

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Construction in Progress	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	6-33 years	Straight Line

As of September 30, 2011, SSA removed the buildings acquired with money from the OASI, DI, HI and SMI Trust Funds and the related depreciation from SSA's assets on the Balance Sheet.

In December 2010, DOJ issued an opinion on who was entitled to the proceeds from the sale of buildings acquired with money from the OASI and DI Trust Funds. Due to DOJ's decision, SSA reevaluated its position that the buildings acquired with money from the OASI and DI Trust Funds belonged as an asset on SSA's financial statement. Based on DOJ's opinion, SSA removed the original costs of the buildings, worth $381 million, and its related accumulated depreciation, worth $263 million, by increasing Operating Expenses on the Statement of Net Costs by $118 million as of September 30, 2011. The Land asset was also affected and reduced as a result of DOJ's opinion.

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)

	2011			2010		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	$ 4,227	$ 0	$ 4,227	$ 4,418	$ 0	$ 4,418
Accounts Payable	41	8,316	8,357	67	8,458	8,525
Other	29	230	259	68	201	269
Total Intragovernmental	4,297	8,546	12,843	4,553	8,659	13,212
Benefits Due and Payable	78,602	3,616	82,218	77,056	3,729	80,785
Accounts Payable	49	436	485	37	436	473
Other	360	700	1,060	751	716	1,467
Total	$ 83,308	$ 13,298	$ 96,606	$ 82,397	$ 13,540	$ 95,937

Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental 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 Treasury's 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. 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 Department of Labor'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 $61 and $59 million as of September 30, 2011 and 2010. Intragovernmental Other Not Covered amounts include $157 and $132 million as of September 30, 2011 and 2010 for SSI State Fees payable to Treasury's 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, 2011 and 2010. 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)		
	2011	2010
OASI	$ 53,161	$ 51,651
DI	24,169	24,329
SSI	5,244	5,431
Subtotal	82,574	81,411
Less: Intra-agency eliminations	(356)	(626)
Total	$ 82,218	$ 80,785

Chart 8b also shows that as of FY 2011 and 2010, gross Benefits Due and Payable was reduced by $356 and $626 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset in FY 2011 and from Special Disability Workload cases in FY 2010. Refer to Note 6, Accounts Receivable, Net.

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 $334 and $319 million as of September 30, 2011 and 2010 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

For several years, the Department of Justice (Tax Division) handled litigation concerning 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. On March 2, 2010, the Internal Revenue Service (IRS) announced plans to refund medical residents FICA taxes for periods ending before April 1, 2005 to institutions and individuals with timely filed refund claims. SSA anticipates that the IRS refund program will result in dismissal of pending cases covering the period before April 1, 2005. The IRS will disperse refunds to the institutions, as well as to employees who sought or consented to receive a refund. At this time, SSA is not able to make a reasonable estimate for the refund of medical resident FICA taxes due to the applicable institutions and employees.

In addition to the matters identified above, there is one other pending matter. The case concerns the interpretation of provisions of the *Social Security Act* that permit the agency to suspend certain benefits to parole and probation violators. SSA is not able to make an estimate of the possible liability 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 the OASI and DI Trust 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.

Payments to Social Security Trust Funds

PTF consists of transfers authorized by law between Treasury's 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, Unnegotiated Check Reimbursement, Payroll Tax Holiday, and *Food, Conservation, and Energy Act* 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 9 for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2011 and 2010.

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

	2011				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (606)	$ (391)	$ 75	$ 0	$ (922)
Investments	2,492,531	161,965	0	0	2,654,496
Interest Receivable	26,186	1,899	0	0	28,085
Accounts Receivables - Federal	2	2	0	(4)	0
Accounts Receivables - Non-Federal	1,889	3,761	0	(40)	5,610
Total Assets	$ 2,520,002	$ 167,236	$ 75	$ (44)	$ 2,687,269
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,778	$ 449	$ 0	$ 0	$ 4,227
Accounts Payable, Federal	869	704	5	(4)	1,574
Benefits Due and Payable	53,161	24,169	0	(40)	77,290
Other - Non-Federal Liabilities	0	6	0	0	6
Total Liabilities	57,808	25,328	5	(44)	83,097
Unexpended Appropriations	0	0	61	0	61
Cumulative Results of Operations	2,462,194	141,908	9	0	2,604,111
Total Liabilities and Net Position	$ 2,520,002	$ 167,236	$ 75	$ (44)	$ 2,687,269
Statement of Net Cost					
Program Costs	$ 593,047	$ 127,471	$ 0	$ 0	$ 720,518
Operating Expenses	715	221	0	0	936
Less Earned Revenue	(1)	(30)	(175)	0	(206)
Net Cost of Operations	$ 593,761	$ 127,662	$ (175)	$ 0	$ 721,248
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,370,742	$ 166,719	$ 80	$ 0	$ 2,537,541
Tax Revenue	496,590	84,296	0	0	580,886
Interest Revenue	106,931	8,238	0	0	115,169
Net Transfers In/Out	81,673	10,269	(102,183)	0	(10,241)
Other	19	48	101,998	0	102,065
Total Financing Sources	685,213	102,851	(185)	0	787,879
Net Cost of Operations	593,761	127,662	(175)	0	721,248
Net Change	91,452	(24,811)	(10)	0	66,631
Net Position End of Period	$ 2,462,194	$ 141,908	$ 70	$ 0	$ 2,604,172

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for activity between the OASI and DI Trust Funds; however, $1,882 million of liabilities in the earmarked funds for the year ended September 30, 2011 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), 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 9.

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

	2010				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (463)	$ (384)	$ 82	$ 0	$ (765)
Investments	2,399,111	187,222	0	0	2,586,333
Interest Receivable	26,666	2,227	0	0	28,893
Accounts Receivables - Federal	2	1	0	0	3
Accounts Receivables - Non-Federal	1,936	3,388	0	(33)	5,291
Total Assets	$ 2,427,252	$ 192,454	$ 82	$ (33)	$ 2,619,755
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,909	$ 509	$ 0	$ 0	$ 4,418
Accounts Payable, Federal	950	890	2	0	1,842
Benefits Due and Payable	51,651	24,329	0	(33)	75,947
Other - Non-Federal Liabilities	0	7	0	0	7
Total Liabilities	56,510	25,735	2	(33)	82,214
Unexpended Appropriations	0	0	61	0	61
Cumulative Results of Operations	2,370,742	166,719	19	0	2,537,480
Total Liabilities and Net Position	$ 2,427,252	$ 192,454	$ 82	$ (33)	$ 2,619,755
Statement of Net Cost					
Program Costs	$ 574,223	$ 121,598	$ 0	$ 0	$ 695,821
Operating Expenses	640	227	0	0	867
Less Earned Revenue	(1)	(29)	(143)	0	(173)
Net Cost of Operations	$ 574,862	$ 121,796	$ (143)	$ 0	$ 696,515
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,270,181	$ 186,635	$ 94	$ 0	$ 2,456,910
Adjustments	0	0	5	0	5
Beginning Balances, Adjusted	$ 2,270,181	$ 186,635	$ 99	$ 0	$ 2,456,915
Tax Revenue	552,804	93,869	0	0	646,673
Interest Revenue	108,424	9,590	0	0	118,014
Net Transfers In/Out	14,179	(1,626)	(23,005)	0	(10,452)
Other	16	47	22,843	0	22,906
Total Financing Sources	675,423	101,880	(162)	0	777,141
Net Cost of Operations	574,862	121,796	(143)	0	696,515
Net Change	100,561	(19,916)	(19)	0	80,626
Net Position End of Period	$ 2,370,742	$ 166,719	$ 80	$ 0	$ 2,537,541

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for activity between the OASI and DI Trust Funds; however, $2,427 million of liabilities in the earmarked funds for the year ended September 30, 2010 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), 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 9.

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. LAE ARRA operating expenses recorded in the Other program represent administrative costs attributable to Economic Recovery Payment (ERP), expenses associated with the construction and setup of the new National Support Center, 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 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)

	2011						
	LAE						
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Program ERP	Total
OASI	$ 3,106	$ 37	$ 0	$ 713	$ 2	$ 0	$ 3,858
DI	3,025	36	0	133	88	0	3,282
SSI	4,091	0	0	0	125	0	4,216
Other	2,173	29	10	0	1	17	2,230
	$ 12,395	$ 102	$ 10	$ 846	$ 216	$ 17	$ 13,586

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

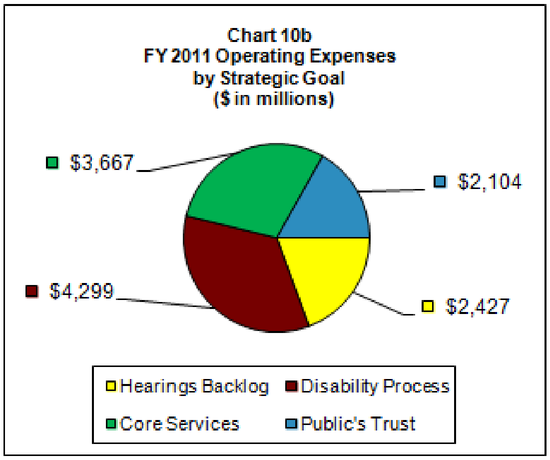
	2010						
	LAE						
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Program ERP	Total
OASI	$ 2,906	$ 38	$ 0	$ 637	$ 3	$ 0	$ 3,584
DI	2,765	36	0	120	107	0	3,028
SSI	3,668	0	0	0	130	0	3,798
Other	2,050	28	345	0	5	118	2,546
	$ 11,389	$ 102	$ 345	$ 757	$ 245	$ 118	$ 12,956

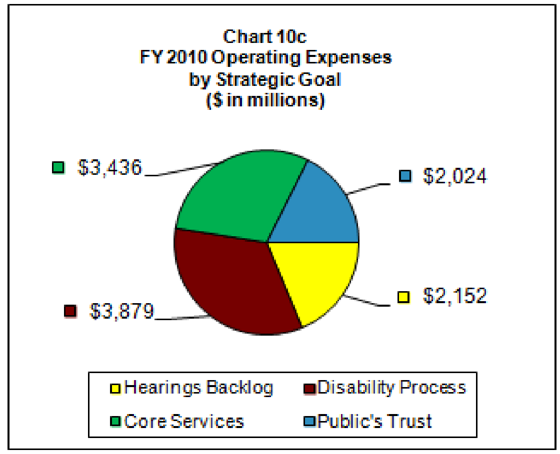
Classification of Operating Expenses by Strategic Goal

The Annual Performance Plan (APP) sets forth expected levels of performance the agency is committed to achieving, as well as includes proposed levels of performance for future fiscal years. 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.

Charts 10b and 10c exhibit distribution of FY 2011 and 2010 SSA and OIG LAE operating expenses to the four APP strategic goals, which agree to the agency's LAE budget appropriation. LAE ARRA expenses are subtracted from total SSA LAE operating expenses before being distributed to SSA's APP strategic goals in these two charts. 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 $424 and $368 million for the years ended September 30, 2011 and 2010. SSA's 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 $341 and $283 million for the years ended September 30, 2011 and 2010.

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 $166 and $140 million as of September 30, 2011 and 2010. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $157 and $132 million as of September 30, 2011 and 2010. The fees are deposited directly to Treasury's General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to Treasury's 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 $175 and $143 million for the years ended September 30, 2011 and 2010 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $83 and $85 million for the years ended September 30, 2011 and 2010 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)

	2011			2010		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,566	$ (12)	$ 1,554	$ 1,472	$ (11)	$ 1,461
Public	595,339	(2)	595,337	576,335	(4)	576,331
OASI Subtotal	596,905	(14)	596,891	577,807	(15)	577,792
DI Program						
Intragovernmental	963	(12)	951	914	(10)	904
Public	129,790	(31)	129,759	123,712	(32)	123,680
DI Subtotal	130,753	(43)	130,710	124,626	(42)	124,584
SSI Program						
Intragovernmental	1,150	(15)	1,135	1,079	(13)	1,066
Public	52,107	(343)	51,764	46,563	(288)	46,275
SSI Subtotal	53,257	(358)	52,899	47,642	(301)	47,341
Other Program						
Intragovernmental	597	(8)	589	589	(7)	582
Public	1,640	(1)	1,639	1,965	(3)	1,962
Other Subtotal	2,237	(9)	2,228	2,554	(10)	2,544
Total	$ 783,152	$ (424)	$ 782,728	$ 752,629	$ (368)	$ 752,261

13. TAX REVENUES

Employment tax revenues are estimated monthly by Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by 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 $580,886 and $646,673 million for the years ended September 30, 2011 and 2010.

The 2011 tax revenue is reduced as a result of a new one-year tax bill signed into law in December 2010. The *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* provides employees a one-year reduction in FICA tax withholdings, reducing rates from 6.2% to 4.2% for the 2011 tax year (January-December). In order to avoid harming the OASI and DI Trust Funds, the bill also provides the transfer of funds by Treasury from general revenues to the OASI and DI Trust Funds. The total transferred amount is $78,915 million for the year ended September 30, 2011.

14. IMPUTED FINANCING

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $1,169 and $1,148 million for the years ended September 30, 2011 and 2010 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 $680 and $709 million for the years ended September 30, 2011 and 2010 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 $982,487 and $882,359 million for the years ended September 30, 2011 and 2010. Appropriations Received on the Consolidated Statements of Changes in Net Position are $158,359 and $74,331 million for the same periods. The differences of $824,128 and $808,028 million primarily 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 No. 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 Categories A, B, and Exempt from Apportionment.

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

	2011			2010		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	$ 32	$ 0	$ 32	$ 44	$ 0	$ 44
Category B	68,476	3,910	72,386	63,088	3,650	66,738
Exempt	834,008	2	834,010	729,754	3	729,757
Total	$ 902,516	$ 3,912	$ 906,428	$ 792,886	$ 3,653	$ 796,539

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 Public Law 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 fiscal year 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 fiscal year that exceeds the amount needed to pay benefits and other valid obligations in that fiscal year is precluded by law from being available for obligation. At the end of the fiscal year, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the Statements of Budgetary Resources; therefore, it is not classified as budgetary resources in the fiscal year 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)

	2011	2010
Beginning Balance	$ 2,534,325	$ 2,433,305
Receipts	823,946	807,879
Less Obligations	731,913	706,859
Excess of Receipts Over Obligations	92,033	101,020
Ending Balance	$ 2,626,358	$ 2,534,325

Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $2,239 and $1,987 million for the years ended September 30, 2011 and 2010.

Explanation of 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, 2010 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

Chart 15c presents a reconciliation of budgetary resources, obligations incurred, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2010. Budgetary resources and obligations incurred reconcile to Program and Financing (P&F) Schedule while outlays reconcile to the Analytical Perspectives of the Budget.

Chart 15c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the United States Government for FY 2010:
($ in millions)

	Budgetary Resources	Status of Resources	Outlays
Combined Statement of Budgetary Resources	$ 798,634	$ 798,634	$ 754,181
Expired activity not on P&F	(515)	(478)	0
Offsetting Receipts activity not on P&F	0	0	26,455
Other	0	(37)	(2)
Budget of the United States Government	$ 798,119	$ 798,119	$ 780,634

A reconciliation has not been conducted for the year ended September 30, 2011 since this report is published in November 2011 and the actual budget data for FY 2011 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, 2011 and 2010
(Dollars in Millions)

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 906,428**	$ 796,539
Offsetting Collections and Recoveries	**(15,251)**	(15,515)
Obligations Net of Offsetting Collections and Recoveries	**891,177**	781,024
Offsetting Receipts	**(105,395)**	(26,455)
Net Obligations	**785,782**	754,569
Other Resources		
Imputed Financing	**680**	709
Other	**(340)**	(283)
Net Other Resources Used to Finance Activities	**340**	426
Total Resources Used to Finance Activities	**786,122**	754,995
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(560)**	(282)
Resources that Fund Expenses Recognized in Prior Periods	**(116)**	(8)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**105,365**	26,427
Resources that Finance the Acquisition of Assets	**(337)**	(865)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(107,559)**	(28,429)
Total Resources Not Part of the Net Cost of Operations	**(3,207)**	(3,157)
Total Resources Used to Finance the Net Cost of Operations	**782,915**	751,838
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	**0**	11
Other	**16**	9
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**16**	20
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**253**	494
Other	**(456)**	(91)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**(203)**	403
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**(187)**	423
Net Cost of Operations	**$ 782,728**	$ 752,261

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

Statement of Social Insurance

The Statement of Social Insurance discloses the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed 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. The closed group of participants includes only current participants: those who attain age 15 or older in the first year of the projection period. The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in the *2011 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, 2011. Similar present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting present values at January 1 of the applicable year.

Estimated future noninterest 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.

The present value of future excess of noninterest income over cost is shown in the Statement of Social Insurance, not only for the open group of participants, but also for the "closed group" of participants. The closed group of participants 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. The Statement of Social Insurance also presents the present value of future noninterest income less future cost *plus* the combined OASI and DI Trust Fund assets at the start of the period, on both an open and closed group basis.

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, 2011 totaled $2,609 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

The present value for a 75-year projection period of estimated future excess of noninterest income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value. This negative value 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 noninterest 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 present values used in this presentation for the current year (2011) are based on the assumption that the noninterest income and the benefit payments for the program would continue at the levels scheduled under current law, even after OASI and DI 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 2011

	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]	
2011	2.07	766.5	75.9	80.6	895,000	2.9	4.1	1.2	0.7	2.7	3.1%
2020	2.05	707.8	77.1	81.4	1,195,000	1.1	3.9	2.8	0.5	2.1	5.7%
2030	2.02	648.7	78.2	82.4	1,115,000	1.2	4.0	2.8	0.5	2.2	5.7%
2040	2.00	596.6	79.3	83.3	1,070,000	1.2	4.0	2.8	0.5	2.2	5.7%
2050	2.00	550.8	80.3	84.1	1,050,000	1.2	4.0	2.8	0.5	2.2	5.7%
2060	2.00	510.5	81.3	84.9	1,040,000	1.1	3.9	2.8	0.5	2.1	5.7%
2070	2.00	474.9	82.1	85.7	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	443.2	82.9	86.4	1,030,000	1.2	4.0	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 is the sum of U.S. civilian and military employment. 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 produced in the U.S., expressed in 2005 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 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. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on the SSA website at: www.socialsecurity.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]	Average Annual 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 2011	2.0	0.78	1,075,000	1.2	4.0	2.8	0.5	2.9
FY 2010	2.0	0.79	1,065,000	1.2	4.0	2.8	0.5	2.9
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

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.
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 2011 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 2007 Statement, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period. For the 2008-2011 Statements, the value shown is the average net immigration level projected for the 75-year projection period. For the 2011 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the difference between (1) the annual percentage change in the average annual wage in covered employment and (2) the annual percentage change in the Consumer Price Index (CPI). The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period. For the 2010 Statement, the average real wage differential increased from 1.1 to 1.2 percentage points. For the 2011 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
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 value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2010 Statement, the average annual percentage change increased from 3.9 to 4.0 percentage points.
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 is the sum of U.S. civilian and military employment. 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 2011 Statement, the average annual rate of change is consistent with the annual percentages 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 soon after the 10th year of the projection period. For the 2011 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 2007-2011 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* section of this report.

Statement of Changes in Social Insurance Amounts

The Statement of Changes in Social Insurance Amounts reconciles the change (between the current valuation and the prior valuation) in the (1) present value of future noninterest income less future cost for current and future participants (the open group measure) over the next 75 years; (2) assets of the combined OASI and DI Trust Funds; and (3) present value of future noninterest income less future cost for current and future over the next 75 years plus the assets of the combined OASI and DI Trust Funds. These values are included in the Statement of Social Insurance. The reconciliation identifies several components of the change that are significant and provides reasons for the changes.

The five changes considered in the Statement of Changes in Social Insurance Amounts are, in order:

- change in the valuation period;
- changes in demographic data, assumptions, and methods;
- changes in economic data, assumptions, and methods;
- changes in methodology and programmatic data; and
- changes in law or policy.

All estimates in the table are presented as incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods, represent the additional effect that these new data, assumptions, and methods have, once the effects from demography and the change in the valuation period have been considered.

Assumptions Used for the Statement of Changes in Social Insurance Amounts

The present values included in the Statement of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Table 1 summarizes these assumptions for the current year. Assumptions for the prior year are identified in a similar manner on the SSA website.

Present values as of January 1, 2010 are calculated using interest rates from the intermediate assumptions of the 2010 Trustees Report. All other present values in the Statement of Changes in Social Insurance Amounts are calculated as a present value as of January 1, 2011. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2010 Trustees Report. Since interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in the Statement are calculated using the interest rates under the intermediate assumptions of the 2011 Trustees Report.

The remainder of this note provides details on the changes in these present values of future noninterest income less future cost (net cashflows) between the prior and current valuation periods.

<u>Change in the Valuation Period</u>

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2010-84) to the current valuation period (2011-85) is measured by using the assumptions for the prior valuation period and applying them, in the absence of any other changes, to the current valuation period. Changing the valuation period removes a small negative net cashflow for 2010 and replaces it with a much larger negative net cashflow for 2085.

The present value of future net cashflows (including or excluding the combined OASI and DI Trust Fund assets at the start of the period) was therefore decreased (made more negative) when the valuation period the 75-year valuation period changed from 2010-84 to 2011-85. In addition, the effect on the level of assets in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2010 are realized. The change in valuation period increased the level of assets in the combined OASI and DI Trust Funds.

Changes in Demographic Data, Assumptions, and Methods

The ultimate demographic assumptions for the current valuation period are the same as those for the prior valuation period. However, the starting demographic values were changed.

- The inclusion of final mortality data for 2007 results in lower starting death rates and faster near-term declines in death rates at older ages for the current valuation period.
- Revised historical estimates of net other immigration and final data on legal immigration for 2009 are also used in the current valuation. Based on estimates from the Department of Homeland Security for 2007 and 2008 and due to the weak U.S. economy since 2008, net other immigration levels for 2007-10 are assumed negative for the current valuation period. These levels are significantly lower than the positive estimates used in the prior valuation period.
- Birth rates projected through 2026 are slightly lower in the current valuation; preliminary birth data for 2008 and 2009 was lower than was expected for the prior valuation.
- Updated starting values of population levels were incorporated in the current valuation.

Except for updating starting values of population levels, inclusion of each of these demographic data sets decreases the present value of future net cashflows.

The following demographic methods were changed in the current valuation.

- The method for determining the initial projected rates of mortality decline was changed to place greater emphasis on recent experience. These initial rates of decline are now determined using the most recent 10 years of historical data, rather than the most recent 20 years. This change increased the rate of decline in death rates at older ages for years following the year of final data (2007) up to the year the ultimate rates of decline are fully in effect (2035).
- The historical estimates of the other immigrant population by age and sex were improved, resulting in greater consistency between the other immigrant population and the total population.

Both of these changes to demographic methods decrease the present value of future net cashflows.

Changes in Economic Data, Assumptions, and Methods

The ultimate economic assumptions for the current valuation period are the same as those for the prior valuation period. However, the starting economic values and near-term economic growth rate assumptions were changed. The economic recovery has been slower than was assumed for the prior valuation period.

- For the current valuation period, OASDI taxable earnings are considerably lower for the starting year, 2010, than were projected for the prior valuation period. Even though earnings grow faster after 2010 through 2019, the projected level of earnings is lower through 2018 for the current valuation period.
- Unemployment rates are slightly higher over first few years of the projection for the current valuation period.
- The real interest rate is lower over first few years of the projection for the current valuation period.

Inclusion of each of these economic revisions decreases the present value of future net cashflows.

A change to the methodology for projecting labor force participation was implemented in the current valuation period. The assumed effect of gains in life expectancy on labor force participation for persons over 40 was doubled, significantly increasing projected participation rates at higher ages. Disability prevalence was added as an input variable to the labor force model for persons over normal retirement age, partially offsetting increases in the labor force due to changes in life expectancy. Inclusion of these changes to labor force participation projections increase the present value of future net cashflows.

Changes in Methodology and Programmatic Data

Several methodological improvements and updates of program-specific data are included in the current valuation and the most significant are identified below.

- Disabled worker mortality and termination rates were updated to reflect a more recent historical period. Inclusion of these updates decrease the present value of future net cashflows.
- The historical sample of new beneficiaries, which serves as the basis of average benefit levels, was updated from a 2006 sample to a 2007 sample. Inclusion of this update increases the present value of future net cashflows.
- Actual experience of the combined OASI and DI Trust Funds between January 1, 2010 and January 1, 2011 is incorporated in the current valuation and is slightly less than projected in the prior valuation.

Changes in Law or Policy

There were no legislative changes, included in the current valuation and not in the prior valuation, that are projected to have a significant effect on the present value of the 75-year net cashflows.

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.

Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2011
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (606)	$ (391)	$ 2,563	$ 3,552	$ (3)	$ 0	$ 5,115
Investments	2,492,531	161,965	0	0	0	0	2,654,496
Interest Receivable, Net	26,186	1,899	0	0	0	0	28,085
Accounts Receivable, Net	2	2	0	0	3,074	(2,453)	625
Other	0	0	0	0	23	0	23
Total Intragovernmental	2,518,113	163,475	2,563	3,552	3,094	(2,453)	2,688,344
Accounts Receivable, Net	1,889	3,761	5,791	0	4	(356)	11,089
Property, Plant, and Equipment, Net	0	0	0	0	2,909	0	2,909
Other	0	0	0	0	2	0	2
Total Assets	$ 2,520,002	$ 167,236	$ 8,354	$ 3,552	$ 6,009	$ (2,809)	$ 2,702,344
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,778	$ 449	$ 0	$ 0	$ 0	$ 0	$ 4,227
Accounts Payable	869	704	5,736	3,468	33	(2,453)	8,357
Other	0	0	165	2	92	0	259
Total Intragovernmental	4,647	1,153	5,901	3,470	125	(2,453)	12,843
Benefits Due and Payable	53,161	24,169	5,244	0	0	(356)	82,218
Accounts Payable	0	6	440	0	39	0	485
Other	0	0	23	2	1,035	0	1,060
Total Liabilities	57,808	25,328	11,608	3,472	1,199	(2,809)	96,606
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	61	0	0	61
Unexpended Appropriations-Other Funds	0	0	353	19	4	0	376
Cumulative Results of Operations-Earmarked Funds	2,462,194	141,908	9	0	0	0	2,604,111
Cumulative Results of Operations-Other Funds	0	0	(3,616)	0	4,806	0	1,190
Total Net Position	2,462,194	141,908	(3,254)	80	4,810	0	2,605,738
Total Liabilities and Net Position	$ 2,520,002	$ 167,236	$ 8,354	$ 3,552	$ 6,009	$ (2,809)	$ 2,702,344

Other Accompanying Information: Schedule of Net Cost for the Years Ended September 30, 2011
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 593,047	$ 0	$ 593,047
Operating Expenses	715	3,143	3,858
Total Cost of OASI Program	593,762	3,143	596,905
Less: Exchange Revenues	(1)	(13)	(14)
Net Cost of OASI Program	593,761	3,130	596,891
DI Program			
Benefit Payments	127,471	0	127,471
Operating Expenses	221	3,061	3,282
Total Cost of DI Program	127,692	3,061	130,753
Less: Exchange Revenues	(30)	(13)	(43)
Net Cost of DI Program	127,662	3,048	130,710
SSI Program			
Benefit Payments	49,041	0	49,041
Operating Expenses	125	4,091	4,216
Total Cost of SSI Program	49,166	4,091	53,257
Less: Exchange Revenues	(341)	(17)	(358)
Net Cost of SSI Program	48,825	4,074	52,899
Other			
Benefit Payments	7	0	7
Operating Expenses	18	2,212	2,230
Total Cost of Other	25	2,212	2,237
Less: Exchange Revenues	0	(9)	(9)
Net Cost of Other Program	25	2,203	2,228
Total Net Cost			
Benefit Payments	769,566	0	769,566
Operating Expenses	1,079	12,507	13,586
Total Cost	770,645	12,507	783,152
Less: Exchange Revenues	(372)	(52)	(424)
Total Net Cost	$ 770,273	$ 12,455	$ 782,728

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2011

(Dollars in Millions)

	OASI	DI	SSI		Other	
-	Earmarked	Earmarked	Earmarked	All Other Funds	Earmarked	All Other Funds
Cumulative Results of Operations:						
Beginning Balances	$ 2,370,742	$ 166,719	$ 19	$ (3,729)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	55,920	101,998	25
Tax Revenues (Note 13)	496,590	84,296	0	0	0	0
Interest Revenues	106,931	8,238	0	0	0	0
Transfers In/Out Without Reimbursement	85,651	10,674	(185)	(3,572)	(101,998)	0
Railroad Retirement Interchange	(3,978)	(405)	0	0	0	0
Net Transfers In/Out	81,673	10,269	(185)	(3,572)	(101,998)	0
Other Budgetary Financing Sources	19	48	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out	0	0	0	(2,962)	0	2,962
Imputed Financing Sources	0	0	0	27	0	0
Other	0	0	0	(300)	0	(2,962)
Total Financing Sources	685,213	102,851	(185)	49,113	0	25
Net Cost of Operations	593,761	127,662	(175)	49,000	0	25
Net Change	91,452	(24,811)	(10)	113	0	0
Cumulative Results of Operations	$ 2,462,194	$ 141,908	$ 9	$ (3,616)	$ 0	$ 0
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 388	$ 61	$ 19
Budgetary Financing Sources						
Appropriations Received	0	0	0	56,284	102,008	38
Other Adjustments	0	0	0	(399)	(10)	(13)
Appropriations Used	0	0	0	(55,920)	(101,998)	(25)
Total Budgetary Financing Sources	0	0	0	(35)	0	0
Total Unexpended Appropriations	0	0	0	353	61	19
Net Position	$ 2,462,194	$ 141,908	$ 9	$ (3,263)	$ 61	$ 19

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2011 (Continued)

(Dollars in Millions)

	LAE	CONSOLIDATED		
	All Other Funds	Earmarked	All Other Funds	CONSOLIDATED TOTAL
Cumulative Results of Operations:				
Beginning Balances	$ 5,366	$ 2,537,480	$ 1,637	$ 2,539,117
Budgetary Financing Sources				
Appropriations Used	29	101,998	55,974	157,972
Tax Revenues (Note 13)	0	580,886	0	580,886
Interest Revenues	0	115,169	0	115,169
Transfers In/Out Without Reimbursement	11,213	(5,858)	7,641	1,783
Railroad Retirement Interchange	0	(4,383)	0	(4,383)
Net Transfers In/Out	11,213	(10,241)	7,641	(2,600)
Other Budgetary Financing Sources	0	67	0	67
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	653	0	680	680
Other	0	0	(3,262)	(3,262)
Total Financing Sources	11,895	787,879	61,033	848,912
Net Cost of Operations	12,455	721,248	61,480	782,728
Net Change	(560)	66,631	(447)	66,184
Cumulative Results of Operations	$ 4,806	$ 2,604,111	$ 1,190	$ 2,605,301
Unexpended Appropriations:				
Beginning Balances	$ 5	$ 61	$ 412	$ 473
Budgetary Financing Sources				
Appropriations Received	29	102,008	56,351	158,359
Other Adjustments	(1)	(10)	(413)	(423)
Appropriations Used	(29)	(101,998)	(55,974)	(157,972)
Total Budgetary Financing Sources	(1)	0	(36)	(36)
Total Unexpended Appropriations	4	61	376	437
Net Position	$ 4,810	$ 2,604,172	$ 1,566	$ 2,605,738

Required Supplementary Information: Schedule of Budgetary Resources for the Years Ended September 30, 2011

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 619	$ 80	$ 1,396	$ 2,095
Recoveries of Prior Year Unpaid Obligations	23	59	92	0	236	410
Budget Authority						
Appropriations	692,652	131,291	56,469	102,046	29	982,487
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	3,845	2	67	3,914
Change in Unfilled Customer Orders						
Advance Received	0	0	(289)	0	2	(287)
Expenditure Transfers from Trust Funds	0	0	0	0	11,214	11,214
Subtotal	692,652	131,291	60,025	102,048	11,312	997,328
Nonexpenditure Transfers, Net	(22)	(54)	0	0	0	(76)
Temporarily Not Available Pursuant to Public Law	(91,959)	(74)	0	0	0	(92,033)
Permanently Not Available	(1)	(2)	(399)	(23)	(1)	(426)
Total Budgetary Resources	$ 600,693	$ 131,220	$ 60,337	$ 102,105	$ 12,943	$ 907,298
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 600,693	$ 131,220	$ 56,189	$ 102,024	$ 12,390	$ 902,516
Reimbursable	0	0	3,850	2	60	3,912
Subtotal	600,693	131,220	60,039	102,026	12,450	906,428
Unobligated Balances						
Apportioned	0	0	159	41	91	291
Unobligated Balances - Not Available	0	0	139	38	402	579
Total Status of Budgetary Resources	$ 600,693	$ 131,220	$ 60,337	$ 102,105	$ 12,943	$ 907,298
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 56,510	$ 25,771	$ 2,330	$ 540	$ 2,453	$ 87,604
Uncollected Customer Payments, Brought Forward, October 1	0	0	0	0	(3,830)	(3,830)
Total Unpaid Obligated Balance, Net	56,510	25,771	2,330	540	(1,377)	83,774
Obligations Incurred, Net	600,693	131,220	60,039	102,026	12,450	906,428
Gross Outlays	(599,372)	(131,571)	(60,203)	(102,059)	(12,091)	(905,296)
Obligated Balance Transferred, Net						
Recoveries of Prior Year Unpaid Obligations, Actual	(23)	(59)	(92)	0	(236)	(410)
Change in Uncollected Customer Payments	0	0	0	0	755	755
Obligated Balance, Net, End of Period						
Unpaid Obligations	57,808	25,361	2,074	507	2,576	88,326
Uncollected Customer Payments	0	0	0	0	(3,075)	(3,075)
Total Unpaid Obligated Balance, Net, End of Period	$ 57,808	$ 25,361	$ 2,074	$ 507	$ (499)	$ 85,251
Net Outlays						
Net Outlays						
Gross Outlays	$ 599,372	$ 131,571	$ 60,203	$ 102,059	$ 12,091	$ 905,296
Offsetting Collections	0	0	(3,556)	(2)	(12,038)	(15,596)
Distributed Offsetting Receipts	(88,647)	(13,445)	(341)	(2,962)	0	(105,395)
Net Outlays	$ 510,725	$ 118,126	$ 56,306	$ 99,095	$ 53	$ 784,305

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 2010, OASDI benefits were paid to almost 54 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 $77 billion as of September 30, 2011 ($75 billion as of September 30, 2010) 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 2011. Also, an asset of $2,654 billion as of September 30, 2011 ($2,586 billion as of September 30, 2010) 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 Investments and Interest Receivable, 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, 2011. 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 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 status 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 (Noninterest Income):** 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, noninterest income, or cost, depending on the context;
- **Net cashflow:** either income less cost or noninterest income less cost, however, net cashflow in this section refers to noninterest income less cost;

- **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 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (2011 Trustees Report) (see Note 17 to the Statement of Social Insurance). The Statement of Social Insurance, the Statement of Changes in Social Insurance Amounts, 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) 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, income (excluding interest), and cost as percentages of taxable payroll and gross domestic product (GDP);

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

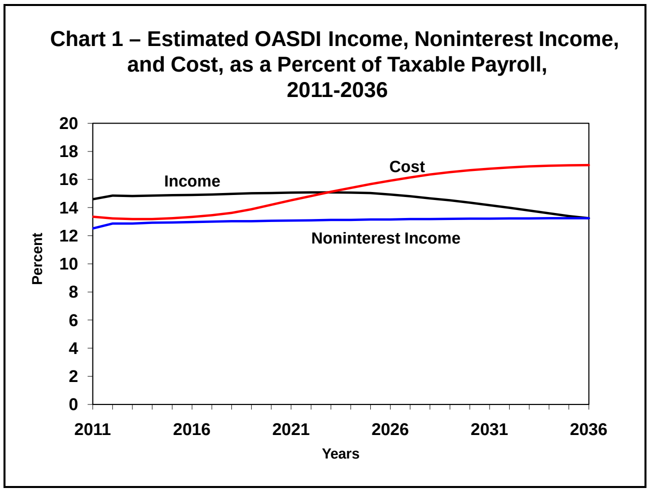
(4) an analysis of the sensitivity of the projections to changes in selected assumptions.

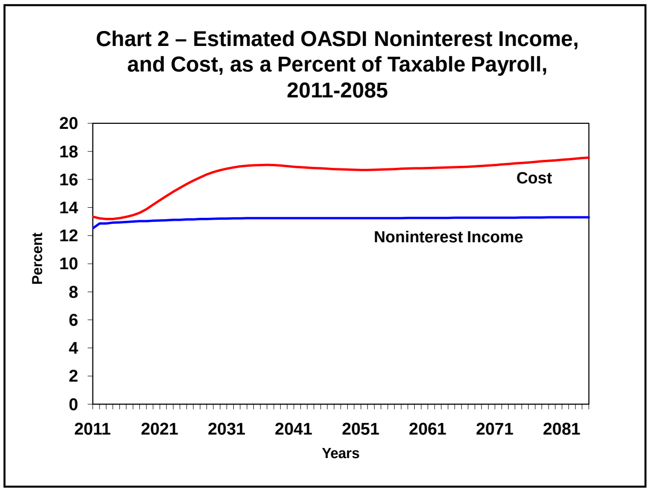
Sustainable Solvency - Based on the estimates of income and cost presented in the Statement of Social Insurance, the OASDI program would not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to be able to pay all scheduled benefits 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 - Charts 1 through 4 show annual cashflow projections for the OASDI program. OASDI noninterest income and cost are estimated for each year from 2011 through 2085. However, income including interest is only estimated through 2036, the year that the combined OASI and DI Trust Funds are projected to become exhausted. After 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 (noninterest income). Thus, displaying annual income levels beyond the point of combined OASI and DI Trust Fund exhaustion would be inappropriate unless the cost of scheduled benefits were replaced by the amount of benefits that would be payable.

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.

Amounts as a Percentage of Taxable Payroll - Chart 1 shows estimated annual income, noninterest income, and cost through 2036 expressed as percentages of taxable payroll. Chart 2 is an extension of Chart 1, showing estimated annual noninterest income and cost through 2085 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. (For the year 2011, a 2 percent temporary reduction in the employee and the self-employment payroll tax rates will be made up by reimbursements from the General Fund of the Treasury.) In all years of the projection period, estimated annual cost is more than estimated annual income, excluding interest. After 2014, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2035 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.

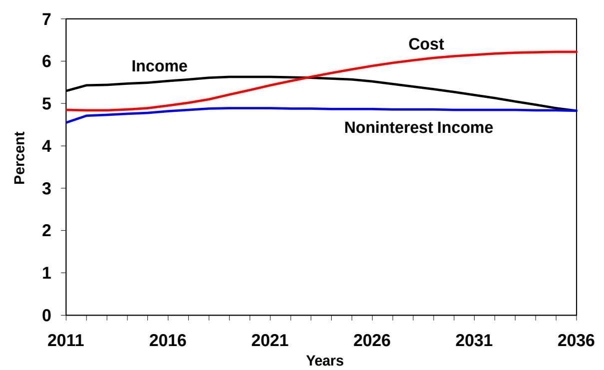
As Chart 1 shows, estimated cost starts to exceed income (including interest) in 2023. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated annual cost is projected to exceed noninterest income in all years of the projection period. In any year, 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.

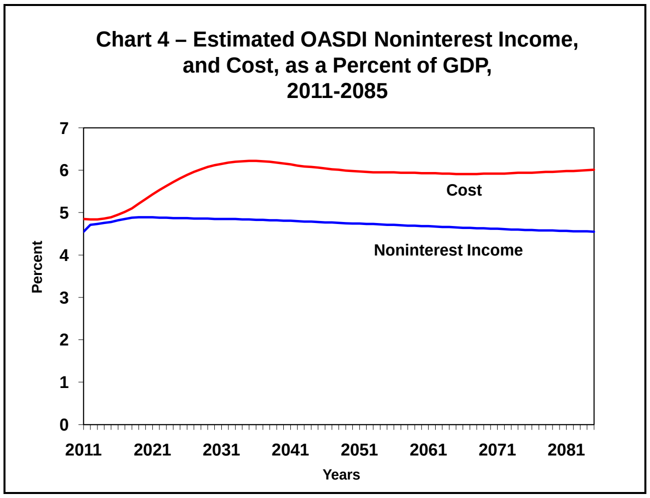
Actuarial Balance - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -\$9,157 billion. If augmented by the combined OASI and DI Trust Fund assets at the start of the period (January 1, 2011), it is -\$6,548 billion. This excess does not equate to the actuarial balance in the Trustees Report of -2.22 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 (-2.22 percent of taxable payroll) is that it represents the magnitude of an increase in the combined payroll tax rate for the entire 75-year period that would allow the combined OASI and DI Trust Funds to remain solvent throughout the period with a small amount of assets remaining in the combined OASI and DI Trust Funds at the end of the period. The combined payroll tax rate is 12.4 percent today (including reimbursements from the General Fund of the Treasury) and is currently scheduled to remain at that level. An increase of 2.22 percentage points in this rate for each year of the 75-year projection period (1.11 percentage points for employees and employers each, resulting in a total rate of 14.62 percent or a rate of 7.31 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 13.8 percent on average (or there could be some combination of both tax increases and benefit reductions) to achieve solvency throughout the period.

Amounts as a Percentage of Gross Domestic Product (GDP) - Chart 3 shows estimated annual income, noninterest income, and cost through 2036 expressed as percentages of GDP. Chart 4 is an extension of Chart 3, showing estimated annual noninterest income and cost through 2085 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.

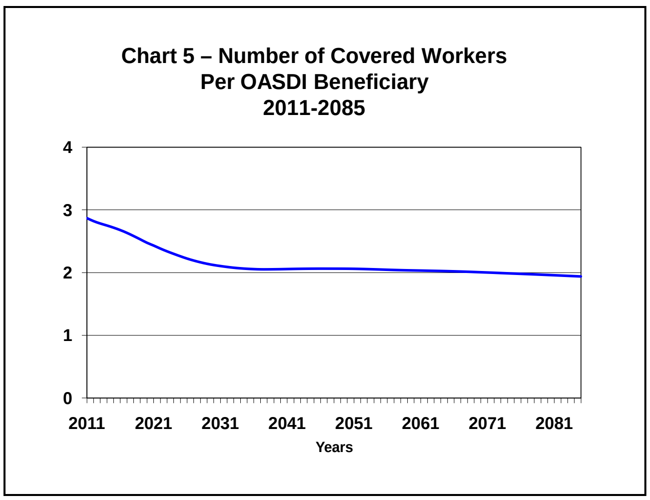
Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2011-2036





In 2010, OASDI cost was about $713 billion, which was about 4.9 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 2036, declines to a low of 5.9 percent in 2067, and then slowly increases, reaching 6.0 percent of GDP by 2085. The rapid increase from 2012 to 2030 is projected to occur as baby boomers become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer.

Ratio of Workers to Beneficiaries - Chart 5 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 based on services for wages in covered employment and/or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.9 in 2010 to 1.9 in 2085.



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 and actual experience is likely to differ from the estimated or assumed values of these factors, 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 2011 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2011, and are based on estimates of income and cost during the 75-year projection period 2011-2085. In this section, for brevity, "income" means "noninterest income."

For each assumption analyzed, one table and one chart 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 chart shows the present value of each annual net cashflow.

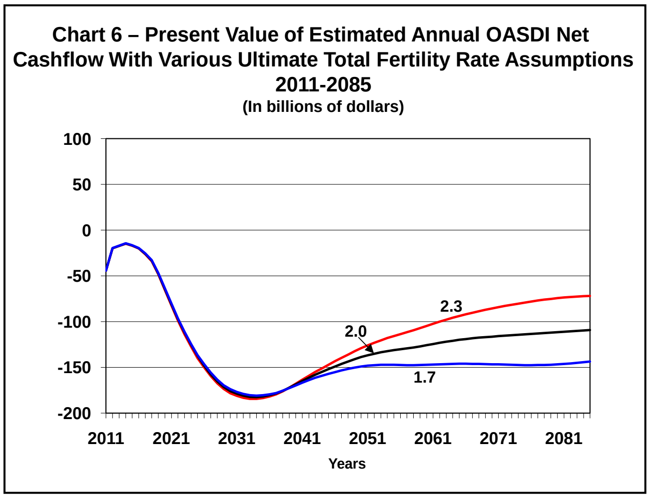
Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Report presents high-cost and low-cost alternative assumption sets, which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more 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 2011 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2035.

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 $10,130 billion, from $9,157 billion; if the ultimate rate were changed to 2.3, the shortfall would decrease to $8,179 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2011-2085			
Ultimate Total Fertility Rate	1.7	2.0	2.3
Present Value of Estimated Excess (In billions)	-$10,130	-$9,157	-$8,179

Using the same total fertility rates used for the estimates in Table 1, Chart 6 shows the present value of the estimated annual OASDI net cashflow.



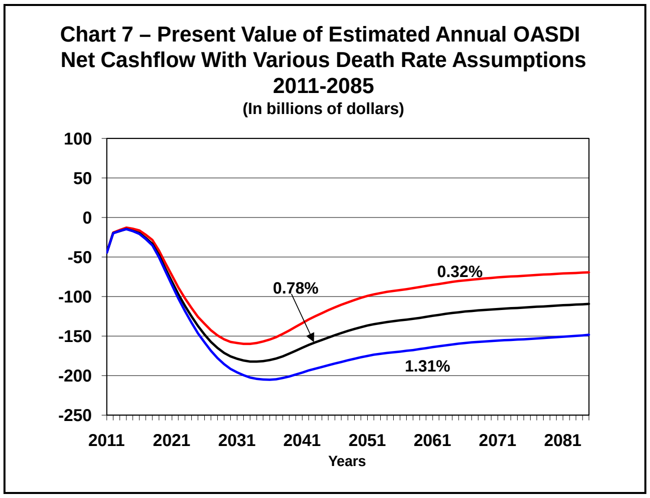
The three patterns of the present values shown in Chart 6 are similar. The present values based on all three ultimate total fertility rates are negative in all years of the 75-year projection period. The net cashflow estimates corresponding to a 1.7 ultimate total fertility rate increase (become less negative) in years 2012-14, decrease (become more negative) in years 2015-34, and then increase through 2054, remaining fairly stable thereafter. The net cashflow estimates corresponding to a 2.0 ultimate total fertility rate increase (become more negative) in years 2012-14, decrease (become less negative) in years 2015-34, and increase thereafter. The net cashflow estimates corresponding to a 2.3 ultimate fertility rate increase (become less negative) in years 2012-14, decrease (become more negative) in years 2015-33, and increase thereafter. Based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2035 than it would to cover the annual deficit in 2034.

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 2010-2085 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 0.32, 0.78, and 1.31 percent per year, where 0.78 percent is the intermediate assumption in the 2011 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 78.1 in 2010 to 81.2, 85.0, and 88.9 in 2085 for average annual reductions in the age-sex-adjusted death rate of 0.32, 0.78, and 1.31 percent, respectively.

Table 2 demonstrates that, if the annual reduction in death rates is changed from 0.78 percent, the Trustees' intermediate assumption, to 0.32 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $7,017 billion, from $9,157 billion; if the annual reduction were changed to 1.31 percent, meaning that people live longer, the shortfall would increase to $11,244 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2011-2085			
Average Annual Reduction in Death Rates (from 2010 to 2085)	0.32 Percent	0.78 Percent	1.31 Percent
Present Value of Estimated Excess (In billions)	-$7,017	-$9,157	-$11,244

Using the same assumptions about future reductions in death rates used for the estimates in Table 2, Chart 7 shows the present value of the estimated annual OASDI net cashflow.



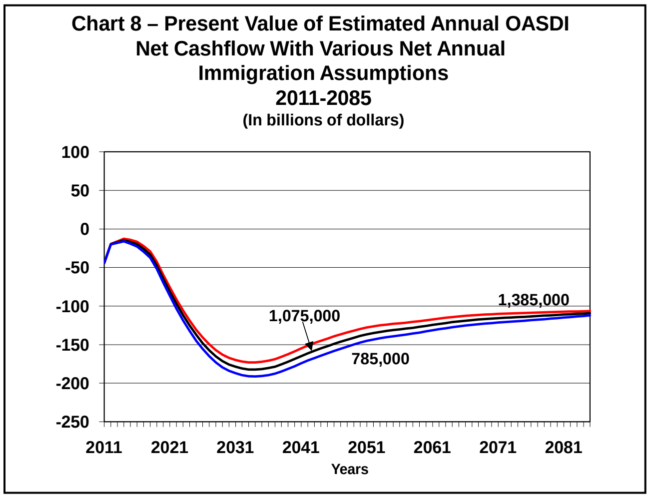
The three patterns of the present values shown in Chart 7 are similar. Under all three sets of assumptions, the net cashflow estimates are negative in all years of the 75-year projection period. After increasing (becoming less negative) in years 2012-14, the present values decrease rapidly until around 2030. Present values based on all three sets of assumptions begin to increase (become less negative) in the 2030's (2034, 2035, and 2037 for projected reductions of 0.32, 0.78, and 1.31 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 2085.

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, 1,075,000 persons, and 1,385,000 persons over the 75-year valuation period, where 1,075,000 persons is the average value based on the intermediate assumptions in the 2011 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 1,075,000 persons to 785,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $9,645 billion, from $9,157 billion. If instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,385,000 persons, the present value of the shortfall would decrease to $8,659 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2011-2085			
75-Year Average Net Annual Immigration	785,000 Persons	1,075,000 Persons	1,385,000 Persons
Present Value of Estimated Excess (In billions)	-$9,645	-$9,157	-$8,659

Using the same assumptions about net annual immigration used for the estimates in Table 3, Chart 8 shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 8 are similar. The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. After increasing (becoming less negative) in years 2012-14, the net cashflow estimates decrease steadily through 2033 for an average net annual immigration level of 1,385,000, and through 2034 for an average net annual immigration level of 1,075,000 and 785,000. Present values based, on all three assumptions about net annual immigration, increase (are less negative) from 2035 through the end of the projection period.

Very little difference is discernible in the first few 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 annual 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). The ultimate real-wage differential is the average of the annual real-wage differential for the last 65 years of the 75-year projection period. 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 0.6, 1.2, and 1.8 percentage points, where 1.2 percentage point is the intermediate assumption in the 2011 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 3.4, 4.0, and 4.6 percent, respectively.

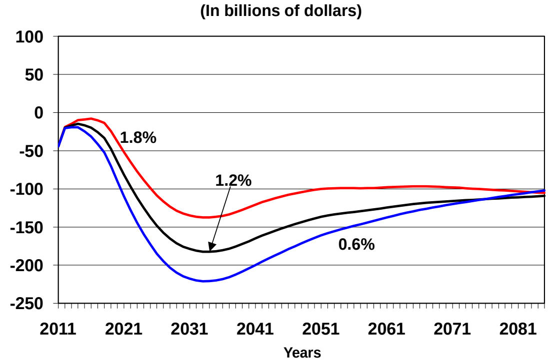
Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.2 percentage point, the Trustees' intermediate assumption, to 0.6 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $10,554 billion from $9,157 billion; if the ultimate real-wage differential were changed from 1.2 to 1.8 percentage points, the shortfall would decrease to $7,099 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2011-2085

Ultimate Annual Increase in Wages, CPI; **Real Wage Differential**	3.4% , 2.8%; **0.6%**	4.0% , 2.8%; **1.2%**	4.6% , 2.8%; **1.8%**
Present Value of Estimated Excess (In billions)	-$10,554	-$9,157	-$7,099

Using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4, Chart 9 shows the present value of the estimated annual OASDI net cashflow.

Chart 9 – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate Real-Wage Assumptions 2011-2085
(In billions of dollars)



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. Estimated net cashflows increase (become less negative) in years 2012-14 for assumed ultimate real-wage differentials of 0.6 and 1.2 percentage points and from 2012-16 for an assumed ultimate real-wage differential of 1.8. The present values then decrease through 2033 for assumed ultimate real wage differentials of 0.6 and 1.8, and through 2034 for an assumed ultimate real-wage differential of 1.2. Present values based on all three assumptions begin to increase (become less negative) by 2035. 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 1.8 percentage points, the present values generally continue to increase until 2066 when decreases begin again. The present values for the other two assumptions continue increasing throughout the remaining projection period.

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 more similar for all assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds noninterest income. These effects are depicted by the patterns in Chart 9 coming together at the end of the projection period.

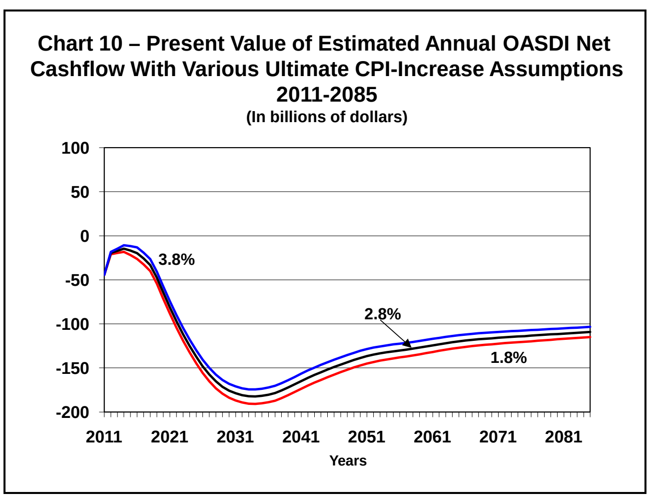
Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.8, 2.8, and 3.8 percent, where 2.8 percent is the intermediate assumption in the 2011 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.2 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.0, 4.0, and 5.0 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 $9,696 billion, from $9,157 billion; if the ultimate annual increase in the CPI were changed to 3.8 percent, the shortfall would decrease to $8,634 billion. The seemingly counter-intuitive result that higher CPI increases result in decreased shortfalls (and vice versa) is explained by the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. The effect on taxable payroll due to a greater increase in average wages is experienced immediately, while the effect on benefits is experienced with a lag of about 1 year. For this reason, larger increases in the CPI cause earnings and income to increase sooner, and thus by more each year, than benefits and cost.

**Table 5: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate CPI-Increase Assumptions
Valuation Period: 2011-2085**

Ultimate Annual Increase in Wages, **CPI**; Real Wage Differential	3.0% , **1.8%**; 1.2%	4.0% , **2.8%**; 1.2%	5.0% , **3.8%**; 1.2%
Present Value of Estimated Excess (In billions)	-$9,696	-$9,157	-$8,634

Using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5, Chart 10 shows the present value of the estimated annual OASDI net cashflow.



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The three patterns of the present values shown in Chart 10 are similar. After increasing (becoming less negative) in years 2012-14, the net cashflow estimates decrease through 2034. Present values begin to increase (become less negative) in 2035 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 2085.

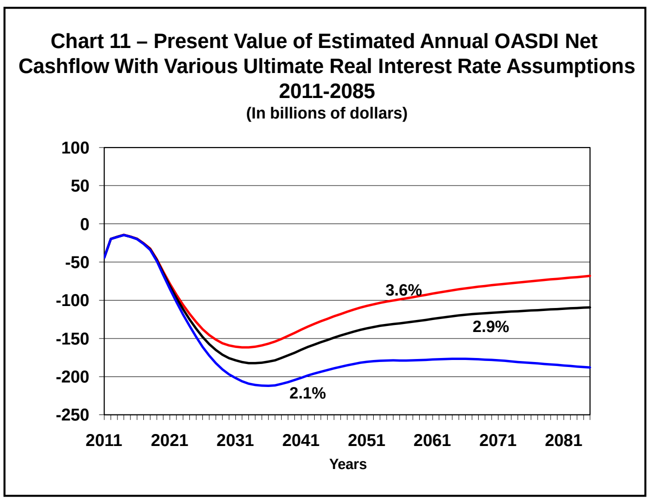
Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that 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 2011 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 $12,103 billion, from $9,157 billion; if the ultimate annual real interest rate were changed to 3.6 percent, the present-value shortfall would decrease to $7,313 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real-Interest Assumptions
Valuation Period: 2011-2085

Ultimate Annual Real Interest Rate	2.1 Percent	2.9 Percent	3.6 Percent
Present Value of Estimated Excess (In billions)	-$12,103	-$9,157	-$7,313

Using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6, Chart 11 shows the present value of the estimated annual OASDI net cashflow.



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The three patterns of the present values shown in Chart 11 are similar. After increasing (becoming less negative) in years 2012-14, the present values decrease rapidly until around 2030. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2037, 2035, and 2034 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 generally increasing through 2066, then decrease thereafter. The present values for the other two assumptions continue increasing throughout the remaining projection period.

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Auditor's Reports

Social Security

November 7, 2011

The Honorable Michael J. Astrue
Commissioner

The *Chief Financial Officers Act of 1990 (CFO)* (P.L. 101-576), as amended, requires that the Social Security Administration's (SSA) Inspector General (IG) or an independent external auditor, as determined by the IG, audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), Grant Thornton, LLP, an independent certified public accounting firm, audited SSA's Fiscal Year (FY) 2011 financial statements. Grant Thornton also audited the FY 2010 financial statements, presented in SSA's FY 2011 Performance and Accountability Report for comparative purposes. This letter transmits the Grant Thornton *Independent Auditor's Report* on the audit of SSA's FY 2011 financial statements. Grant Thornton's Report includes the following:

- Opinion on 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 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.

Grant Thornton conducted its audit 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 due to 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, people outside the organization perpetrate most of the fraud against SSA.

Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations

Grant Thornton issued an unqualified opinion on SSA's FY 2011 and 2010 financial statements. Grant Thornton also reported that SSA had effective internal control over financial reporting based on criteria under OMB Circular A-123, *Management's Responsibility for Internal Control*, and SSA's financial management systems substantially complied with the requirements of the *Federal Financial Management Improvement Act of 1996*.

However, Grant Thornton did identify three deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to a weakness in controls over information security. Specifically, Grant Thornton's testing:

1. Disclosed that policies and procedures to periodically reassess the content of security access profiles had not been complied with consistently throughout the Agency.
2. Disclosed evidence that security permissions provided to some employees and contractors exceeded access required to complete their job responsibilities.
3. Identified configurations that increased the risk of unauthorized access to key financial data and programs during our testing of various operating systems.

Grant Thornton identified no reportable instances of noncompliance with the laws, regulations, or other matters tested.

OIG Evaluation of GT Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of SSA's FY 2011 financial statements by

- reviewing Grant Thornton's audit approach and planning;
- evaluating its auditors qualifications and independence;
- monitoring the progress of the audit at key points;
- examining its workpapers related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Grant Thornton's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 07-04;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Grant Thornton is responsible for the attached auditor's report, dated November 7, 2011, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Grant Thornton's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting, or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where Grant Thornton did not comply with applicable auditing standards.

Patrick P. O'Carroll, Jr.
Inspector General

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The Honorable Michael J. Astrue
Commissioner
Social Security Administration

Independent Auditor's Report

In our audit of the Social Security Administration (SSA), we found:

- The consolidated balance sheets of SSA as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the statements of social insurance as of January 1, 2011 and January 1, 2010 and statement of changes in social insurance amounts for the period January 1, 2010 to January 1, 2011 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, 2011;
- No reportable instances of noncompliance with laws, regulations, or other matters tested.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the statements of social insurance as of January 1, 2011 and January 1, 2010 and statement of changes in social insurance amounts for the period January 1, 2010 to January 1, 2011. 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 statements of social insurance as of January 1, 2009, 2008, and 2007 were audited by other auditors whose reports dated November 9, 2009 and November 7, 2008 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above and presented on pages 100 through 132 of this *Performance and Accountability Report* (PAR), present fairly, in all material respects, the financial position of SSA as of September 30, 2011 and 2010, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, and the financial condition of its social insurance program as of January 1, 2011 and January 1, 2010 and changes in social insurance amounts for the period January 1, 2010 to January 1, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the statements of social insurance present the actuarial present value of the 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 statement 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 statement 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 statement of social insurance and the actual results, and those differences may be material.

OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have also audited management's assertion, included in the accompanying *Federal Managers' Financial Integrity Act of 1982* (FMFIA) Assurance Statement on page 43 of this PAR, that SSA's internal control over financial reporting was operating effectively as of September 30, 2011, 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 FMFIA. SSA's management is responsible for maintaining effective internal control over financial reporting and for its assertion of the operating effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assertion based on our audit.

We conducted our audit in accordance with attestation standards established by the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An agency's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with generally accepted accounting principles. An agency's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the agency; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the agency are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the agency's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls 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, 2011 is fairly stated, in all material respects, based on criteria established under OMB Circular A-123.

Other Internal Control Matters

Our audits identified the need to improve certain internal controls, as described below and in a separate, limited-distribution management letter. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the agency's financial statements will not be prevented, or detected and corrected on a timely basis. No material weaknesses were identified.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our audit was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. We identified certain deficiencies in internal control that when aggregated are considered to be a significant deficiency, reported below.

Significant Deficiency - Weakness in Controls Over Information Security

Our testing disclosed that policies and procedures to periodically reassess the content of security access profiles had been developed but not implemented consistently throughout the Agency. Our testing also disclosed evidence that security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Additionally, we identified configurations that increased the risk of unauthorized access to key financial data and programs during our testing of the operating systems and internal network.

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.

Recommendations

We recommend that SSA management improve policies and procedures that require a periodic review of the content of all security profiles. Management should enforce a consistent approach for profile review and should retain auditable artifacts to evidence the completion of these reviews.

We recommend that management improve controls to test and monitor configurations on the mainframe and network operating system environments to identify and address inherent security risks. This should include comprehensive procedures to test new software and updates to existing software prior to implementation. Management should also improve procedures that require on-going monitoring of implemented configurations to identify and address security risks.

More specific recommendations focused on the individual exposures we identified are included in a separate limited-distribution management letter.

REPORT ON COMPLIANCE AND OTHER MATTERS

The management of SSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 the *Federal Financial Management Improvement Act of 1996* (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 test of compliance disclosed no instances of noncompliance with laws and regulations or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04 and no instances of substantial noncompliance that required to be reported under FFMIA.

OTHER INFORMATION

The Management's Discussion and Analysis (MD&A) included on pages 5 through 46 and the Required Supplementary Information (RSI) included on pages 138 through 150 of this PAR are not a required part of the basic financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular 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. 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 basic financial statements taken as a whole. The Schedule of Budgetary Resources included on page 137 of this PAR is supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. This schedule and the consolidating and combining information included on pages 133 to 136 of this PAR are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Commissioner's Message on page 1 and the other accompanying information included on pages 2 through 4, 47 through 99 and 161 to the end of this PAR, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Our report is intended solely for the information and use of management of SSA, the Office of the Inspector General, the 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.

Grant Thornton LLP

Alexandria, Virginia
November 7, 2011

SOCIAL SECURITY

The Commissioner

November 7, 2011

Grant Thornton LLP
333 John Carlyle
Alexandria, VA 22314

Ladies and Gentlemen:

We have reviewed the draft Independent Auditor's Report concerning your audit of our fiscal year 2011 financial statements. We are extremely pleased that we received our 18th 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 certain deficiencies in internal control, that when aggregated, you considered to be a significant deficiency. We concur with this finding, and we will implement the necessary corrective actions to address these deficiencies. We have enclosed a more detailed explanation of our plans.

If members of your staff have any questions, they may contact Carla Krabbe at (410) 965-0759.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

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Comments of the Social Security Administration (SSA) on Grant Thornton LLP's Draft Independent Auditor's Report

General Comments

Thank you for the opportunity to comment on the draft Independent Auditor's Report concerning our fiscal year (FY) 2011 financial statements.

We are pleased that your report indicates our internal control over financial reporting is operating effectively. However, the report did note the need for additional improvements over certain internal controls and contained related recommendations.

The agency continues to strengthen our already robust security program. We utilize a layered approach to securing our information and systems. Access controls, including mainframe security profiles, limit access based upon the security principles of "least privileged access" and "need to know." We also capture audit and integrity review information to detect inappropriate or suspicious activity, and train our security officers to monitor security violation reports. Additionally, we conduct suitability background checks for all employees in public trust positions, and provide security awareness training to employees reminding them of their obligation not to access unauthorized information, as well as reminding employees of our sanctions policy for misusing agency information resources.

We will continue to work to improve the overall effectiveness of our security controls. We agree with your recommendations and offer the following comments.

Recommendation 1

We recommend that SSA management improve policies and procedures that require a periodic review of the content of all security profiles. Management should enforce a consistent approach for profile review and should retain auditable artifacts to evidence the completion of these reviews.

Comment

We agree with the recommendation. In FY 2010, we formed an agencywide workgroup to develop new policies and procedures for conducting periodic reviews of the content of our security profiles. We also instituted new profile naming standards and drafted new policies for managing profiles that address specific observations cited in the FY 2010 management letter. In FY 2011, we initiated a new project through our Strategic Information Technology Assessment and Review (SITAR) process to develop a commercial off-the-shelf (COTS) based software solution that will automate the process of reviewing security profile content. We plan implementation of this software for the second quarter of FY 2012. This solution will provide improved tools to assist security officers with reviewing security profile content and provide auditable evidence of the

Enclosure – Page 2 – Grant Thornton LLP

completion of these reviews. This solution helps ensure we review both agencywide and locally managed security profiles consistently throughout the agency, and will provide management information for monitoring the progress of profile reviews. Additionally, the COTS solution will improve our Triennial Certification program by providing meaningful information to managers needed for conducting reviews of access granted to employees and contractors.

Recommendation 2

We recommend that management improve controls to test and monitor configurations on the mainframe and network operating system environments to identify and address inherent security risks. This should include comprehensive procedures to test new software and updates to existing software prior to implementation. Management should also improve procedures that require ongoing monitoring of implemented configurations to identify and address additional security risks.

Comment

We agree with the recommendation. While the mainframe configuration increased the risk of unauthorized access, the likelihood of this happening was extremely low. As soon as we became aware of the weakness, we took remedial action that addressed the weakness. We implemented specific controls to identify and address security risks of this nature, and we are expanding current procedures to identify and address mainframe security risks.

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OTHER ACCOMPANYING INFORMATION

The *Other Accompanying Information* section provides information to satisfy additional statutory and Office of Management and Budget reporting requirements.

In accordance with the *Reports Consolidation Act of 2000*, the *IG Statement on SSA's Major Management and Performance Challenges* section provides a summary and assessment of the most serious management and performance challenges facing our agency as determined by the Office of the Inspector General. The Office of the Inspector General also describes the steps we have taken to address each one of these challenges.

Next, in the *Other Reporting Requirements* section, we provide a summary of our financial statement audit and management assurances. We also discuss our anti-fraud activities and our biennial review of user fee charges, and we provide tables on our debt management activities.

Finally, the *Other Accompanying Information* section concludes with the *Improper Payments Information Detailed Report*. In this section, we address our efforts to detect, prevent, and collect payments made improperly under the Old-Age and Survivors Insurance, Disability Insurance, and Supplemental Security Income programs.

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 4, 2011

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The *Reports Consolidation Act of 2000* (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. The *Reports Consolidation Act* requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual *Performance and Accountability Report*.

In Fiscal Year (FY) 2011, we continued to focus on the management and performance challenges from the previous year. Those challenges are listed below.

- Implement the *American Recovery and Reinvestment Act* 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

My office will continue assessing SSA's operations and the environment in which it operates to ensure our reviews focus on the most salient issues facing the Agency. To that end, we believe an emerging issue is the Agency's ability to plan both tactically and strategically to ensure it can meet its mission today and well into the future. We plan to include this issue as a management challenge in FY 2012.

I congratulate you on the progress made in FY 2011 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 2011 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

November 2011

IMPLEMENT THE *AMERICAN RECOVERY AND REINVESTMENT ACT* EFFECTIVELY AND EFFICIENTLY

CHALLENGE: *While the completion of a new data center, which is funded by the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5), is critical to SSA's operations, the purchase of the building was delayed, further delaying construction.*

On February 17, 2009, the President signed ARRA into law. ARRA provided SSA funds to address three major efforts.

- $500 million to replace SSA's National Computer Center (NCC).
- $500 million to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.
- $90 million to reimburse costs for processing a one-time ERP of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments. (On August 10, 2010, section 318 of Pub. L. No. 111-226 rescinded $47 million of the funds SSA received to administer the $250 ERPs.)

We believe the timely replacement of the NCC and the capacity of SSA's computer systems continue to be major challenges for the Agency. SSA's NCC houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. In FY 2011, we issued two reports on SSA's efforts to replace the NCC with a new data center.

Data Center Site Selection: In February 2011, we issued our report on *The Social Security Administration's New Data Center Site Alternatives.* We evaluated the appropriateness of the short list of potential building sites for the new data center selected by the General Services Administration's (GSA) site selection team. We found that the site selection team had developed a highly sophisticated set of selection criteria to evaluate general geographic areas and prospective individual properties. GSA's decision criterion sought to avoid both natural and man-made risks that could be hazardous to the data center's operation.

However, we had questions about the process the GSA site selection team employed to cull the site properties down to a short list. The three finalist sites had conflicts with one, two, or three secondary criteria, while several unsolicited sites had only one documented secondary criteria conflict.

Data Center Requirements: In May 2011, we issued our report on *The Program of Requirements for the Social Security Administration's New Data Center*. The objective of the review was to determine whether GSA and SSA followed best practices in developing the overall Program of Requirements for a new data center. The Program of Requirements provides the minimum design requirements that assist qualified design-build contractors in generating and presenting conceptual designs, budgets, and schedules for complete turnkey construction of the new Data Center.

We found that the GSA/SSA team had developed a comprehensive list of requirements. The team was thorough in creating a document that effectively communicated the needs of a new data center and the expected performance requirements. However, the structural design limits for wind speed force were lower than expected for best practice standards. Also, the information related to the redundancy requirements for the air-handling units was not clearly defined.

Purchase of the Data Center Site: The purchase of the property where a new data center will be built was delayed. GSA planned to purchase the required land in June 2011, but did not purchase it until August 2011, thus delaying the start of construction. The timely completion of a new data center is critical to SSA's ability to continue providing the level of service the American public expects and needs.

Agency Actions

In response to ARRA and Office of Management and Budget (OMB) guidance, SSA developed an ARRA Risk Management Plan that 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 areas were further defined by challenges specific to each category. SSA developed risk mitigation activities to address each identified challenge, and continues to implement them.

Data Center: In FYs 2010 and 2011, SSA, in coordination with GSA, developed the Program of Requirements for a new data center. GSA selected a site for a new data center and solicited for a design/builder. GSA purchased the site in August 2011, and plans to award construction by March 2012. It plans to complete construction in December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 18 months. SSA stated that the new data center should be operational in 2016.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

CHALLENGE: *While SSA has a plan to eliminate the hearings backlog by 2013, budgetary challenges may affect its ability to do so. In addition, there is a growing concern with administrative law judges' (ALJ) adherence to SSA's policies, and variation in their decisional outcomes.*

Hearings Backlog: At the forefront of congressional and Agency concerns is the timeliness and accuracy of SSA's disability decisions at the hearings adjudicative level. SSA has made progress with its plans to eliminate the hearings backlog and improve average processing time to 270 days by 2013, though increases in hearing receipts and higher than expected ALJ attrition have hindered progress in FY 2011.

As the end of FY 2011, SSA's hearings backlog was approximately 787,000 cases—about 82,000 cases higher than the backlog at the end of FY 2010 and 62,000 higher than its goal for FY 2011. However, SSA continued to improve the timeliness of hearing decisions. The cumulative average processing time for hearings dropped to 360 days as of the end of FY 2011, compared to 426 days as of the end of FY 2010.

As we noted in a June 2011 Congressional Response Report, *The Office of Disability Adjudication and Review's Hearings Backlog and Processing Times*, SSA is facing significant budgetary challenges in meeting the 2013 goal of eliminating the pending hearings backlog. Based on our 2012 backlog projections, we concluded that SSA will miss its goal to eliminate the backlog by 2013 if ALJ availability, productivity, or projected hearing receipts varied by as little as 1 percent.

ALJ Performance: SSA is also facing increased scrutiny of the hearings process itself. Members of Congress have expressed concerns about ALJ adherence to the Agency's policies and procedures, as well as their ability to demonstrate good stewardship of taxpayer dollars. Other concerns, such as ALJ workloads, variances in ALJ decisional outcomes, management controls over the hearings process, and quality reviews of ALJ decisions have also come to the forefront. We have begun work to address these issues, which we expect to complete in FY 2012. Throughout these reviews, we plan to work with SSA management to identify any weaknesses in processes, recommend strengthened controls where appropriate, and ensure the continuing integrity of the hearings process.

We will also continue focusing our audit resources on other hearing-related areas to determine whether Agency processes are working as intended, including payments to claimant representatives, processing of complaints from the public, and availability of electronic services for the public. The hearings process is an important component of SSA's disability programs, and it is essential that the public receives a timely hearing and believes the underlying process treats them fairly.

Agency Actions

The Agency continued to implement the Commissioner's plan to eliminate the backlog through a variety of initiatives including

- expanding the list of diseases and conditions covered under compassionate allowances;
- increasing adjudicatory capacity through additional hiring, new hearing offices, and the use of senior attorney adjudicators;
- reducing the volume of aged cases in the hearings pipeline; and
- improving hearing efficiency with automation and improved business processes, such as the expansion of video hearings.

SSA hired 143 new ALJs in FY 2011, and adjudicated approximately 53,000 cases using the senior attorney adjudication program. It opened or expanded eight hearing offices in FY 2011. It held almost 130,000 video hearings nationwide in the FY, an increase of more than 9,000 video hearings than in FY 2010.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

CHALLENGE: *The number of pending initial and reconsideration disability claims continues to increase and a backlog of continuing disability reviews (CDR) remains.*

Disability Claims Backlog: SSA is facing a considerable increase in initial and reconsideration claims. In FY 2011, SSA received over 3.2 million initial disability and 836,000 reconsideration claims. The increase in claims is matched by an increase in the number of claims pending completion. For example, at the end of FY 2008, there were over 556,000 initial claims pending. At the end of FY 2011, there were over 759,000 initial claims pending, an increase of 36 percent over the FY 2008 year-end pending level.

DDS Personnel Issues: In addition to the increased receipts, some disability determination services (DDS) are facing high attrition rates, hiring freezes, and employee furloughs, all of which affect SSA's ability to process the disability workload. In FY 2011, DDS staffing decreased from 18,269 employees to 17,271 employees – a loss of 998 employees. With the hiring freeze, DDSs are not allowed to replace the lost staff. At the end of 2011, five States were still furloughing DDS employees. In our November 2009 review of the *Impact of State Budget Issues on the Social Security Administration's Disability Programs*, we reported that State furloughs affected the number of disability determinations some DDSs would make in FY 2010. As a result of the furloughs, we estimated approximately 69,000 cases would be delayed in processing, resulting in about $126 million in benefit payments being delayed to newly disabled claimants.

CDR Backlog: In our March 2010 report on *Full Medical Continuing Disability Reviews*, we reported that SSA estimated a backlog of over 1.5 million medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years (CY) 2005 through 2010, SSA made benefit payments of between $1.3 and $2.6 billion that it could have avoided if the medical CDRs in the backlog had been conducted by state DDSs when they became due. While SSA completed over 345,000 medical CDRs in FY 2011, over 1.3 million medical CDRs were pending completion at the FY's end.

Agency Actions

SSA's Strategy: In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts* (Strategy) to reduce the initial claims backlog to a pre-recession level by FY 2014. The multi-year Strategy includes

- increasing staffing in the DDS and Federal disability processing components;
- improving efficiency through automation;
- expanding the use of screening tools to assist in identifying claims likely to be allowed; and
- refining policies and business processes to expedite case completion.

As part of the Strategy, SSA hired additional DDS employees and plans to maintain higher staffing levels over the next several years. In addition, SSA continues to use overtime in the DDSs. SSA also created centralized units, called Extended Service Teams, in Arkansas, Mississippi, Oklahoma, and Virginia. The Teams assist by taking claims from the States with the highest pending levels. As of end of FY 2011, the total staffing for the Extended Service Teams was 300 employees. At year's end, SSA had 786 employees in the Federal disability processing components that support DDSs.

In our June 2011 review, *SSA's Strategy for Reducing the Initial Claims Backlog*, we reported that SSA had taken actions to reduce its initial disability claims backlog—primarily by hiring additional staff using both annual appropriations and funding provided under the *American Recovery and Reinvestment Act of 2009*. We also reported that the Strategy outlined additional actions SSA has taken or plans to take to reduce initial disability claims to a pending level goal of 525,000 by FY 2014. Based on SSA's projections for initial disability claims receipts, workyears, and productivity, we reported that it appears SSA will meet its goal. However, achieving this goal is dependent upon SSA receiving funding that will enable it to achieve the projections for work years and productivity.

Moreover, the Agency has initiated a project to modernize its Disability Case Processing System to develop a single case processing system to replace the 54 different existing systems that support the DDSs. The Disability Case Processing System will integrate case analysis tools and health IT. A single case processing system will help to rapidly distribute policy changes. It should also have a positive effect on processing times and the accuracy of disability decisions.

Cooperative Disability Investigations: We will continue working with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The mission of the 24 CDI units is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed jointly by SSA's Offices of Operations, the Inspector General, and Disability Programs. Since its inception in FY 1998 through FY 2011, the program efforts have resulted in $1.9 billion in projected savings to the Disability Insurance and SSI programs and over $1.2 billion in projected savings to non-SSA programs. In FY 2011, SSA opened three new CDI units.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE: *SSA is one of the top three Federal agencies with high improper payments. In FY 2010, SSA reported about $9 billion in improper payments, and the Agency incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to requirements in Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs – and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. No. 111-204) to address improper payments.*

SSA is responsible for issuing over $700 billion in benefit payments annually to about 60 million people. 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.

Improper Payment Rates: Workers, employers, and taxpayers who fund SSA's 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.

For example, according to SSA, in FY 2010,

- Old-Age, Survivors and Disability Insurance (OASDI) overpayments were $2.7 billion (0.39 percent of outlays), and underpayments were $1.8 billion (0.25 percent of outlays).

- SSI overpayments were $3.3 billion (6.7 percent of outlays), and underpayments were $1.2 billion (2.4 percent of outlays) and

For FY 2010, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; for SSI, the Agency's goal was to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 91.6 percent. SSA only met its payment accuracy goal for SSI overpayments.

For FY 2011, SSA's goals for OASDI payment accuracy and for SSI underpayments were the same as those in FY 2010. The SSI overpayment payment accuracy goal increased to 93.3 percent. (FY 2011 payment accuracy rates were not available at the end of FY 2011; they will be available in June 2012.)

Executive Order 13520 and IPERA: In November 2009, the President issued Executive Order 13520 on reducing improper payments; and in March 2010, OMB issued guidance for implementing it. Also, in July 2010, IPERA was enacted. OMB issued guidance on implementing IPERA in April 2011. As a result, all agencies with high-priority programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. OMB designated SSA's programs as high-risk.

Agency Actions

Improper Payment Causes: SSA identifies the major causes of improper payments and takes steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA has developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit.

Debt Collection Tools: SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing with 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. In FY 2010, SSA recovered $3.14 billion in improper payments at an administrative cost of $0.07 for every dollar collected.

CDRs: The CDR is a powerful tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $10.50 for every $1 spent on CDRs. However, the Agency has cut back on this workload over the past several years. From CYs 2005 through 2010, we estimated SSA would make between $1.3 and $2.6 billion in disability benefit payments that it could have avoided if it conducted the medical CDRs when they became due. We estimated SSA would pay between $556 million and $1.1 billion in CY 2011 that it could have avoided if it had conducted medical CDRs when they became due.

Audit Recommendations: SSA has worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in April 2011, we issued a report, *Title II Beneficiaries Whose Benefits Have Been Suspended and Who Have A Date of Death on the Numident*, which estimated that SSA improperly paid 2,976 beneficiaries approximately $23.8 million. SSA agreed with the recommendations we made to improve this area. We also issued a report in June 2011, *Supplemental Security Income Recipients with Unreported Real Property*, where we estimated that SSA improperly paid 320,940 recipients over $2.2 billion because of their unreported real property. SSA agreed with our recommendations.

IMPROVE CUSTOMER SERVICE

CHALLENGE: *SSA acknowledges that it has struggled to maintain the level of service the American people deserve. Many factors challenge SSA, including growing workloads, changing customer expectations, an aging workforce, and budget constraints.*

SSA is receiving increasing numbers of claims. The Agency received 3.2 million disability claims in FY 2011—about 100,000 more than in FY 2010. It also received about 4.8 million retirement and survivor claims (including Medicare applications) in FY 2011. Nearly 80 million baby boomers are expected to file for retirement over the next 20 years—an average of 10,000 per day. Also, SSA is finding that the public expects it to provide services in new ways made possible by technology. Further, the projected retirement of its employees continues to present a challenge to SSA's customer service capability. SSA estimates that over 47 percent of its employees, including 63 percent of its supervisors, will be eligible to retire by FY 2019. This loss of institutional knowledge may adversely affect SSA's ability to deliver the quality service the public expects.

Budget: The budget has also affected SSA's ability to provide service to the public. For example, in March 2011, SSA suspended mailing all Social Security Statements, and in August 2011, SSA began closing field offices 30 minutes earlier each day because of budget constraints. Further, in February 2011, the Commissioner stated SSA's FY 2012 budget would not allow the Agency to keep up with representative payee accountings.

Customer Service Plan: Despite these challenges, the public deserves competent, efficient, and responsive service. In April 2011, the President issued Executive Order 13571—*Streamlining Service Delivery and Improving Customer Service*—which requires Federal agencies to develop ". . .a Customer Service Plan to address how the agency will provide services in a manner that seeks to streamline service delivery and improve the experience of its customers." In a July 2011 review, *The Social Security Administration's Customer Service Delivery Plan*, we found SSA did not have a long-term (10 years or longer) customer service delivery plan. Instead, SSA uses its Agency Strategic Plan to present the incremental steps it must take to reach a greater vision for the Agency. It describes the goals and milestones of mostly short- and mid-range (3 to 5 years) initiatives, but does not prepare SSA for customer service demands in the long term. Because we believe long-term strategic planning presents a significant challenge for the Agency, we identified a new management challenge starting in FY 2012—*Strengthen Strategic and Tactical Planning*.

Representative Payee Program: Providing oversight to ensure representative payees properly manage the Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints representative payees to receive and manage the benefits of beneficiaries who are incapable of managing or directing the management of their finances because of their age or mental or physical impairment. Our reviews continue to identify problems with SSA's representative payee program. We found that SSA spends a great deal of resources pursuing representative payees who do not provide annual accountings of how they spend Social Security benefits on behalf of the beneficiaries in their care. Also, some minor children are not assigned representative payees as required by Agency policy. Additionally, some representative payees are not properly titling bank accounts of beneficiaries in their care; and certain individual and organizational representative payees have not complied with SSA's policies and procedures. For example, several of our audits identified problems with representative payees allowing SSI recipients' conserved funds to exceed the $2,000 resource limit, therefore making them ineligible for payments. Finally, we continue to find problems with representative payees not returning conserved funds to SSA for beneficiaries who are no longer in their care.

Agency Actions

SSA has implemented various initiatives to improve customer service, such as clarifying correspondence, expanding the use of online and automated services, improving telephone and field office services, and improving the representative payee program.

Correspondence: SSA issues approximately 390 million notices to the public each year, which makes notices the Agency's most common communication method. Therefore, SSA is improving its notices to ensure they are clear, concise, and easily understood. For example, SSA revised the payment explanations and language concerning reporting responsibilities. SSA added its Internet address to encourage the use of online services. SSA is making its notices available in Braille, in large print, in audio, and on compact disc. These options are especially helpful to people who are blind, visually impaired, or have difficulty reading.

Online and Automated Services: One of SSA's priorities is to provide the public with more service options through a wide range of online and automated services. The Agency is working to implement a new, more secure authentication process to provide a safe environment for people to conduct business with SSA online. In FY 2011, SSA launched a new homepage to help the public more easily find information and services on its Website. SSA is also working on an initiative to provide the public with access to a variety of personalized online services, such as verifying earnings history, receiving notices, and requesting routine actions. Further, SSA is implementing an online Spanish-language retirement application, and developing a Spanish version of the Medicare Extra Help Application.

SSA continues expanding its nationwide marketing campaign for its Internet services through public service announcements, press releases, videos, and news articles, to encourage the public to apply for retirement and Medicare online. SSA is also using social media such as Facebook, Twitter, and YouTube to provide the public with updates and highlight its online applications.

SSA reported that applicants filed 41 percent of retirement claims and 33 percent of disability claims online in FY 2011. In our March 2011 review, *Applicant Experiences with Retirement Insurance Benefit Internet Claim Applications*, and our June 2011 review, *Applicant Experiences with Disability Insurance Benefit Internet Claim Applications*, we found that applicants had a positive perception of the process and found it was very easy to navigate and understand the information. In FY 2011, the *American Customer Satisfaction Index* ranked SSA's online services as the best in Government, exceeding the top private-sector sites in customer satisfaction.

Telephone Services: In FY 2011, SSA completed more than 62 million actions on its national 800-number. SSA continues to replace its 800-number infrastructure with a new system that will help improve service and increase efficiency. The redesigned system will feature shorter navigation menus and revised scripts for automated applications. It will also offer callers the opportunity to hang up and receive a return call from SSA when wait times exceed 3 minutes. In addition, SSA continues to use technology to forecast call volumes, anticipate staffing needs, and better distribute calls across the network. As a result, SSA reported it reduced busy rates to 3 percent in FY 2011. In FY 2011, SSA answered calls in 180 seconds, 23 seconds faster than in FY 2010.

Field Offices and Processing Centers: SSA continues to upgrade its field offices to offer improved services, such as videoconferencing for individuals living in rural areas and televisions in field office reception areas to broadcast information about SSA programs. SSA reported it installed video service at 361 locations, which include field offices. Additionally, in FY 2011, SSA installed televisions in 453 offices, ending the FY with 592 offices with televisions.

In our October 2010 review, *Customer Waiting Times in the Social Security Administration's Field Offices*, we found wait times had improved during our audit period, even though a significant number of customers still waited more than 1 hour for service, and many customers left before receiving service. The improvement occurred despite an increase of over 1 million visitors. Based on our review, we believe SSA is focused on providing timely service to its customers, and the majority of customers we interviewed agreed that SSA was successful in this goal.

Representative Payee Program: To ensure the benefits of minor children are properly managed, SSA agreed to evaluate the feasibility of identifying all children under age 15 without a representative payee. SSA released a new Web-based electronic representative payee misuse system to store and track misuse allegations. To protect beneficiaries from potential harm resulting from conflict of interest, SSA hired a contractor to perform reviews of organizational representative payees serving in dual roles as both the payee and employer. SSA has issued publications reminding Agency staff to follow policy governing the representative payee program, and has worked with payees to correct deficiencies identified during audits.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

CHALLENGE: *At a time when SSA needs to provide additional electronic services to meet the growing needs of its customers, SSA's systems capacity is severely strained and in need of modernization. Additionally, SSA has a significant deficiency in its control of access to sensitive information.*

SSA faces the challenge of how to best use technology to meet its increasing workloads. SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. We, along with other organizations including SSA's Advisory Board and the Future Systems Technology Advisory Panel, have concerns regarding the Agency's lack of IT strategic planning, as well as its IT physical infrastructure, system modernization efforts, security of sensitive information, and IT service delivery.

IT Physical Infrastructure: SSA's NCC, built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. SSA's primary IT investment over the next few years is the replacement of the NCC. Increased workloads and growing telecommunication services have strained the NCC's ability to support the Agency's business. However, the Agency has projected that its new facility will not be operational before 2016.

Systems Modernization: Another major challenge facing SSA is the modernization of its systems and applications. SSA's systems modernization is constrained by multiple underlying challenges. The first is that the foundation of SSA's IT infrastructure is an outdated database management system called the Master Data Access Method (MADAM), which SSA developed in the 1980s. There is a concern that future operating system changes may render MADAM unusable, and the technical knowledge and skills needed to remedy the situation timely may not be available. Consequently, future operating system changes could lead to prolonged outages. Further, the Agency's continued reliance on MADAM exposes it to significant risks, including delays in its ability to improve its systems functionality.

Further, some of SSA's legacy applications are in Common Business Oriented Language (COBOL), which constrains SSA's modernization efforts. Studies of SSA's use of COBOL have identified challenges, including cumbersome maintenance, lengthy redevelopment time, and potential loss of institutional knowledge as experienced COBOL programmers retire. In addition, COBOL restricts SSA from developing more sophisticated Web services to enable the Agency to meet the growing needs of its customers.

Security of Sensitive Information: The Agency faces another challenge to keep the sensitive information it houses secure. SSA's FY 2009, 2010, and 2011 Financial Statement Audits identified a significant deficiency in the Agency's control of access to its sensitive information. For example, SSA did not consistently comply with policies and procedures to periodically reassess the content of security access given to its employees and contractors. Moreover, some employees and contractors had greater access to systems than they needed to perform their jobs. Additionally, certain configurations increased the risk of unauthorized access to key financial data and programs.

Electronic Services: Finally, SSA must provide additional electronic services to meet the growing needs of its customers. Because of the economic times and baby boom generation retirements, more individuals are filing for retirement and disability benefits. SSA must find ways to expand easy-to-use and secure electronic services for its customers.

In FY 2011, 41 percent of all retirement applications and 33 percent of initial disability applications were filed online. In December 2009, Commissioner Astrue testified that to keep field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filing to 50 percent by 2013.

Agency Actions

IT Physical Infrastructure: SSA has taken steps to address its IT physical infrastructure challenge. The Agency has taken or planned actions to address the NCC's sustainability through 2014. Moreover, in February 2009, SSA received $500 million in ARRA funding to replace its NCC. GSA selected a site for SSA's new data center in June 2011 and purchased it in August 2011. GSA and SSA also developed a Program of Requirements, and GSA plans to award design and construction for a new data center in March 2012. The planned completion of construction date is December 2014. After completion of construction and commissioning, IT migration to the new data center will take an additional 18 months. The new data center is expected to be operational in 2016.

In addition, SSA completed the construction of the Second Support Center and took occupancy in January 2009. The Second Support Center can recover all Agency mission-critical workloads, with the exception of some of the disability workloads, should the NCC become unavailable.

Systems Modernization: To address its outdated database management system, 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. To date, SSA has successfully completed the conversion of its Numident/Alphident and Master Earnings Files. SSA is currently converting the Supplemental Security Record file and plans to convert Master Beneficiary Records file from FY 2012 to 2014.

The Agency's strategy to address the challenges related to its use of COBOL includes plans to develop new IT applications with more modern programming languages. SSA plans to transition existing COBOL legacy applications to more modern programming languages as well. Per SSA, its budget, business priorities, and changing legislation will affect how quickly these modernization efforts proceed.

The Agency has also initiated a project to modernize its Disability Case Processing System (DCPS). The objective of the DCPS project is to develop a single case processing system to replace the 54 different existing systems that support the DDSs. DCPS will integrate case analysis tools and health information technology. Also, having a common case processing system will help to rapidly distribute policy changes and have a positive effect on processing times and the accuracy of disability decisions.

Security of Sensitive Information: SSA has taken steps to address the security of sensitive information. SSA assembled a workgroup to address the access control weaknesses identified as a significant deficiency. The workgroup is testing a commercial tool to manage its employee and contractor access. SSA plans to roll out a pilot program in December 2011 to resolve some of its access control weaknesses.

Electronic Services: To address this challenge and reduce the workload in field offices, SSA offers over 30 electronic services. Further, SSA has researched Internet authentication solutions to secure such online initiatives as Ready Retirement, replacement SSN cards, and other automated services.

SSA is developing the Citizen Authentication Initiative to authenticate its electronic service users in the future. The authentication system will register and authenticate users and provide controlled, single sign-on access. SSA plans to use this authentication system to enable members of the public to access SSA's electronic services. The authentication system will position SSA to meet its strategic goals of expanding electronic government and increasing the use of electronic services. By increasing the functionality and scope of SSA's electronic applications and providing strong, secure, and robust authentication protocols, the Agency expects to channel more members of the public toward doing business electronically.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE: *Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.*

In FY 2011, SSA issued approximately 16.4 million new and replacement SSN cards and received approximately $580 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.

SSN Use: Since the SSN's inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers, and therefore, are valuable as illegal commodities. It has become, in effect, a de facto national identifier, and the Social Security card is used as a breeder document to establish identity and to access other services in American society.

While SSA has strengthened controls in the enumeration process and worked to better protect SSNs in its records, the Agency has little control over an SSN's collection, use, and disclosure by external entities once it is assigned. 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.

Currently, there is no Federal law that imposes broad restrictions on the use of the SSN. In fact, some Federal and State laws require the use of SSNs in certain governmental programs, such as Medicare. To better protect SSNs 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.

SSN Assignment and Protection: We commend the Agency for 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 have taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We believe SSA should support legislation to limit public and private entities' collection and use of SSNs, and to improve the protection of this information when obtained.

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. Further, we believe controls over the issuance of Social Security Number Printouts are insufficient to prevent improper access to these sensitive documents and disclosure of personally identifiable information (PII). As such, SSA should continue its efforts to safeguard and protect PII. Finally, we are concerned with the growth in the demand for Social Security Number Printouts, because the proof of identity required for obtaining these is less than that required for SSN replacement cards. We believe SSA should consider charging its customers standardized fees for Social Security Number Printouts to reduce the incentive for obtaining duplicative copies of these documents.

Posting of Earnings: Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. SSA needs accurate earnings records to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA expends scarce resources correcting earnings data when employers report incorrect information. 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 2010, the ESF had accumulated approximately 305 million wage items for Tax Years (TY) 1937 through 2008, representing about $921 billion in wages. In TY 2008 alone, SSA posted 9.4 million wage items, representing $86 billion, to the ESF.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

Agency Actions

Despite related 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) establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards; (2) requiring that field office personnel processing SSN applications use a Web-based Intranet application known as SSNAP, which combines the functionality of the *SS-5 Assistant* and the Modernized Enumeration System; and (3) implementing a new SSN assignment methodology called SSN randomization.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has increased its electronic wage reporting, expanded the use of its Social Security Number Verification Service (SSNVS) program, and continued to support DHS in administering the E-Verify program.

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 electronically file *Wage and Tax Statements* (Forms W-2) for their employees. In FY 2011, SSA processed over 184 million Forms W-2 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 instantly, whether an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps reduce fraud and improves the accuracy of individuals' earnings records. In FY 2011, approximately 43,000 registered employers used SSNVS to check over 106 million SSNs.

Collaborated with DHS: SSA continues to support E-Verify, a DHS program that allows employers to verify electronically whether newly hired employees are authorized to work in the United States under immigration law. With SSA's assistance, DHS has made program improvements. For example, DHS implemented E-Verify's Photo Screening Tool, which allows employers to check the photograph on the 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 March 2011, DHS implemented the E-Verify Self Check service, which is a free, Internet-based application that can be used by U.S. workers over age 16 to confirm their employment eligibility. DHS is implementing the Self Check service in phases—it is now available in 21 States. For FY 2011, about 293,000 employers were enrolled to use E-Verify, and they submitted over 18 million queries during this period. Additionally, nearly 23,000 transactions were processed through the E-Verify Self Check Service.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

CHALLENGE: *SSA continues to lack a full set of performance indicators that measure whether it is meeting all its strategic goals. Additionally, SSA faces a number of challenges ensuring accountability, including concerns over its systems security, administrative cost allocations, and IT investment fund transfers.*

There have been a number of efforts to make Federal agencies more transparent and accountable. The *Chief Financial Officers Act of 1990* (Pub. L. No. 101-576) provides for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and Congress in the financing, management, and evaluation of Federal programs. The *Government Performance and Results Act of 1993* (GPRA) (Pub. L. No. 103-62) and the *GPRA Modernization Act of 2010* (Pub. L. No. 111-352) seek to improve Federal program effectiveness and public accountability by focusing on results, service quality, and customer satisfaction. More recently, the Open Government Directive requires that Federal agencies improve the quality of Government information, publish Government information online, create and institutionalize a culture of open Government, and create an enabling policy framework for open Government.

Performance Indicators: While SSA has increased the transparency of its operations through its *Annual Performance Plans, Performance and Accountability Reports*, and *Open Government Plan*, we believe the Agency can strengthen public reporting of its performance. In our report, *Performance Indicator Audit: The Social Security Administration's Fiscal Year 2010 Performance Indicators*, our contractor concluded that SSA could develop more outcome-based performance indicators (PI). Our contractor evaluated SSA's alignment of its PIs with its strategic goals and objectives and found that 3 strategic goals and objectives did not have an associated PI, and 16 PIs were ineffective measures of the Agency's progress in achieving its strategic goals and objectives.

We believe SSA is more transparent when it measures and publicly reports on the performance of its critical programs or activities. Neither SSA's *Strategic Plan* nor the *Annual Performance Plan* contained a performance measure to publicly track SSA's progress in constructing a new data center, even though the *Strategic Plan* states that all the Agency's plans depend on a strong 21st-century data center to replace the aged NCC. Also, SSA does not have a performance measure to track progress in updating its computer programs, even though its *Strategic Plan* noted that its IT infrastructure was resting on a foundation of aging computer programs. The aging computer systems make it difficult to implement new business processes and service delivery models.

Performance Data: Our contractor completed more in-depth analyses of performance data that support 10 PIs that measure SSA's Environmental Management System, electronic service delivery, disability process, and hearings and appeals process. It tested critical controls of the systems that produced the data, and determined their adequacy, accuracy, reasonableness, completeness, and consistency. It concluded that SSA could improve the underlying data supporting the PIs for each of the key activities we examined. For example, our contractor was unable to test the controls and reliability of the data for the PIs measuring electronic service delivery, since SSA did not maintain the data that supported the reported performance in its PAR. SSA stated that it did not maintain data to support some PIs because of computer storage issues and staffing resources. Our contractor concluded SSA should reevaluate its computer storage capacity since such technology has evolved over the past several years. Also, our contractor found that SSA could improve the internal controls and accuracy of the underlying data supporting the measurement of the hearings and appeals process.

Information Security: 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. Last year, we reported a significant deficiency in SSA's internal control over information security in our *Report on Management's Assertion about the Effectiveness of Internal Control*. We are reporting the same deficiency this year. Specifically, SSA had not consistently complied with the policies and procedures on periodic reassessments of the content of security access profiles. Additionally, security permissions provided to some employees and contractors were in excess of access required to complete their job responsibilities. Lastly, SSA's mainframe operating system contained configurations that increased the risk of unauthorized access to key financial data and programs.

Administrative Cost Allocation: We also believe SSA can bring greater accountability to its administrative cost allocation. The *Social Security Act* authorizes SSA to allocate administrative costs to the four Trust Funds for which it provides administrative support: the Retirement and Survivors Insurance Trust, the Disability Insurance Trust, the Hospital Insurance Trust, and the Supplementary Medical Insurance Trust. SSA uses its Cost Analysis System (CAS) to allocate administrative costs to these four Trust Funds and general fund programs administered by SSA, such as the SSI program.

We hired a contractor to review CAS given its importance to SSA's ability to provide reliable and timely information on the full costs of the programs it administers. Our contractor found that CAS has certain risks that SSA needs to address to ensure it provides viable calculations of SSA's administrative costs. For example, SSA has not updated the CAS cost allocation methodology in over 30 years to account for changes in business processes, system technology, or Federal accounting standards. The failure to periodically revisit and update the cost allocation methodology could result in costing assumptions and cost factors that are no longer valid or accurate. Consequently, the equitable and appropriate allocation of SSA's administrative costs to the Trust Funds could be at risk.

Similarly, the Office of Disability Adjudication and Review cost allocation process was outdated and inaccurate. The Office developed the original standard time values in the early 1980s. The specific details regarding the rationale and calculation of the standard time values were unclear, as there is no documentation on their development, and individuals who created them have retired. The ODAR cost allocation process standard time values were revised in FY 2011. During the first quarter of Fiscal Year (FY) 2010, ODAR conducted an internal Cost Reporting ODAR Workgroup (CROW) study of the standard time values used in its workload measurement process. ODAR managers requested the study because they believed that some of the standard time values they were using in their cost allocation process were outdated and inaccurate. Based on the CROW study results, ODAR reduced standard time values for hearings by an average of 16.22 hours and reduced travel times for ALJs from 1.1 hours per workday to 3.55 hours per month.

Time Allocation System: In 2001, SSA developed a workgroup to develop and implement a unified system for measuring and distributing work hours among organizations and workloads that would be accurate, reliable, and cost-effective. The workgroup proposed the Time Allocation System (TAS) to replace the District Office Work Sample used in the Work Measurement System, which submits to CAS. In 2009, SSA identified many instances of differences between observed activities and TAS reporting. That same year, SSA terminated the TAS project. We believe that if SSA had conducted sufficient project planning before initiating the TAS project, most, if not all, of the events that led SSA to terminate the project could have been resolved before expending approximately $36 million of Agency resources.

IT Investment Account: Accountability includes using budgeted funds efficiently and effectively. Each FY, SSA does not spend approximately 1 percent of its administrative budget to cover adjustments to existing obligations. SSA can transfer the unspent administrative funds that are not used to cover adjustments to an account for IT investment. Based on a historical review, we found that SSA did not need to leave any funds unspent at the end of the FY to cover adjustments. Accordingly, we recommended that SSA review its existing policy and procedures and make changes as needed to decrease the amount of administrative funds remaining at the end of each FY.

As of May 2011, Congress rescinded $275 million from SSA's unspent administrative budget in the no-year account. While we found that SSA was transferring unspent funds for IT investment in accordance with public laws, we believe SSA could improve the transparency of the process if the Agency seeks the explicit approval of its congressional oversight committee before making the transfer and obtains agreement on the amount to transfer.

Agency Actions

Transparency: SSA has continually revised its performance indicators and goals to provide the public an indication of its performance. SSA has also taken steps to implement the Open Government Directive, which is focused on increasing transparency within the Federal government. It released its first Open Government Plan in June 2010 and has continued to update its Open Government Website. SSA also released 34 different datasets on Data.gov as of the end of September 2011. These datasets are accessible by the public.

Accountability: SSA has taken steps to address the security of its sensitive information. SSA assembled a workgroup to address the access control weaknesses identified as a significant deficiency. The workgroup is testing a commercial tool to manage its employee and contractor access. SSA plans to roll out a pilot program in December 2011 to resolve some of its access control weaknesses.

Other Reporting Requirements

Summary of Financial Statement Audit and Management Assurances

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

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

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

Anti-Fraud Activities

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

Entitlement Reviews

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

Disability Quality Assurance Reviews

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

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

Title II (DI) Preeffectuation Reviews

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

Title II Preeffectuation Reviews

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

Title XVI (SSI) Preeffectuation Reviews

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

Title XVI Preeffectuation Reviews

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

Continuing Disability Reviews

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

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

OASI and SSI Quality Assurance Reviews

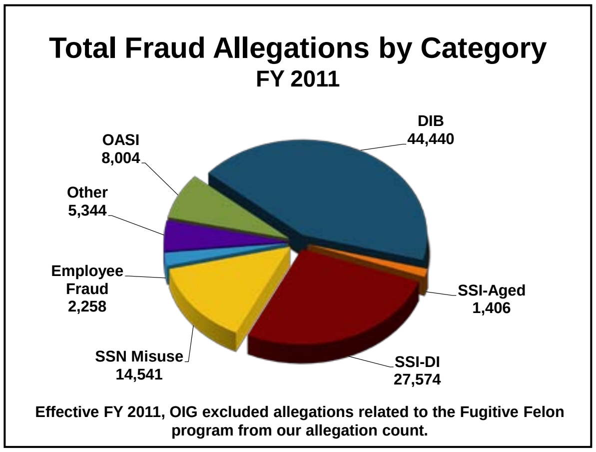
One of our four *Government Performance and Results Act* strategic goals is "preserve the public's trust in our programs." One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. We present a detailed discussion on the results of these reviews in the *Performance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

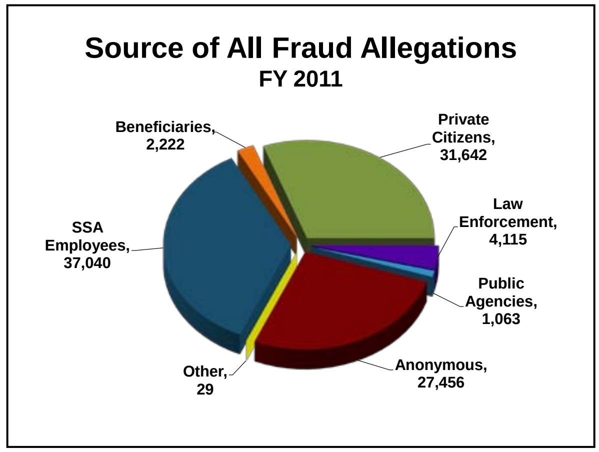
SSI Redeterminations

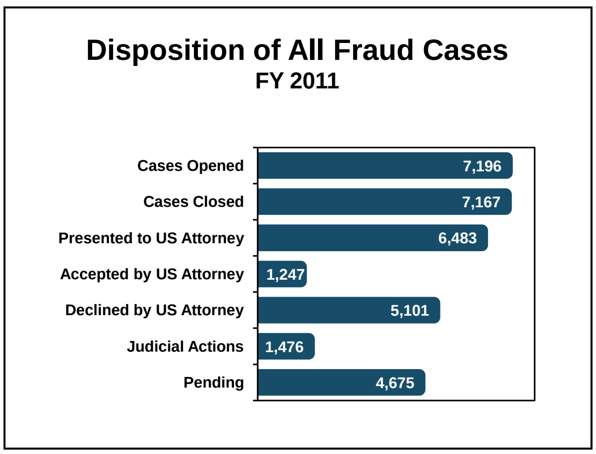
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in his or her circumstances may affect the amount or continuation of their benefits and thus we must reflect those changes in our records. SSI redeterminations are periodic reviews to ensure that a recipient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

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

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







Biennial Review of User Fee Charges

Summary of Fees

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

BIENNIAL REVIEW

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

Debt Management

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

FY 2011 Quarterly Debt Management Activities
Programmatic and Administrative Activity

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

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

Note:

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

Definitions:

1. Adjustments – Program debt adjustments represent (1) written-off debts, by way of terminations, that we reinstate for collections, (2) changes in debts when we update debtor accounts with new information, and (3) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.

2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person (1) is without fault in causing the debt, and (2) either cannot repay it or repayment would be against good equity and conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.

3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because (1) the debtor cannot or will not repay the debt, (2) the debtor cannot be located after diligent search, or (3) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the Treasury Offset Program and Administrative Wage Garnishment. If the debtor becomes entitled to Title II benefits or eligible for Title XVI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (1) the date we establish a Title II debt, (2) the date of the initial overpayment notice for a Title XVI debt, (3) the date of the last voluntary payment, (4) the date of an installment or periodic payment arrangement (if we do not receive a payment), and (5) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

Improper Payments Information Detailed Report

Background

We take our responsibility to reduce improper payments seriously; curbing improper payments is one objective in our strategic goal to preserve the public's trust in our programs. Each year, we report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), we report as improper those payments that result from:

- Our mistake in computing the payment;
- Our failure to obtain or act on available information affecting the payment;
- A beneficiary's failure to report an event; or
- A beneficiary's incorrect report.

We accumulate much of our debt recovery data based on an operating month rather than a true calendar month. An operating month cuts off on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks. Every 5 or 6 years, the fiscal year contains 53 weeks rather than the normal 52 weeks because the year is not evenly divisible by 7 days. FY 2011 is a 53-week fiscal year. Our program overpayment collection totals in the Agency Efforts to Collect Overpayments in the OASI, DI, and SSI Programs section and the administrative overpayment collection totals in Table 23 show our fiscal year performance through the end of the 53rd week.

Improper Payments Elimination and Recovery Act

On July 22, 2010, President Obama signed IPERA into law. IPERA amends IPIA and expands our accountability, transparency, and reporting responsibilities for improper payments. Although IPERA amends IPIA, IPIA remains the authorizing legislation for this report.

Accountability for Improper Payments

As our Accountable Official for improper payments, Deputy Commissioner Carolyn W. Colvin is responsible for overseeing agency efforts to prevent, reduce, and recover improper payments. Due to the strategic importance of this effort, we have taken steps to strengthen management focus on, and accountability for, initiatives aimed at better detection and prevention of improper payments.

Our Deputy Commissioner for Quality Performance, Ron Raborg, has lead responsibility for improper payments. The Deputy Commissioner for Quality Performance, in collaboration with other agency executives, provides oversight of improper payment activities, develops improvement plans, and sets achievement milestones. We review our progress in monthly meetings and hold agency executives accountable for achieving plan milestones.

Effective FY 2012, as required by IPERA, we are also holding managers, program officials, and senior executives accountable for reducing improper payments. For affected employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent improper payments, detect and recover improper payments, and meet targets to reduce improper payments.

Transparency of Improper Payments

In addition to the information contained in this report on our improper payment efforts, we established a public website www.socialsecurity.gov/improperpayments, which provides further information on our efforts to curb improper payments for the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs as well as meeting the requirements of Executive Order 13520, *Reducing Improper Payments.*

Risk Assessment: Benefit Payments

IPERA guidance requires agencies to examine the risk of improper payments in their program activities if they have not recently performed one. Our annual stewardship review is a proven, cost-effective means for evaluating payment accuracy and identifying major causes of improper payments in our benefit programs, and OMB has approved it as a means to assess the risk of improper payments in our programs. (See the Statistical Sampling section below for further information about our stewardship reviews.)

Payment Recapture Audit Program: Benefit Payments

For our OASDI and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts and workloads. For example, our stewardship reviews are similar to payment recapture audits for benefit payments. (See the Statistical Sampling section below for further information.) In addition, we have program integrity measures such as continuing disability reviews (CDR) and SSI redeterminations. We also have improper payment prevention and detection initiatives in place, such as Access to Financial Institutions (AFI) and SSI Telephone Wage Reporting (SSITWR).

We are working with OMB on implementing the payment recapture audit program reporting requirements in OMB Circular No. A-136, *Financial Reporting Requirements* and determining payment recapture audits methodology.

Risk Susceptible Program

IPERA expanded the definition of programs susceptible to significant improper payments to include programs with improper payments estimated to exceed $100 million. Under this definition, our OASI, DI, and SSI programs are susceptible to significant improper payments. We estimate improper payments in these programs in terms of overpayments and underpayments. See Table 1 for details of our OASI and DI improper payments, and Table 9 for details of our SSI improper payments.

OMB's IPERA guidance requires us to evaluate all of our payment outlays, i.e., payments from the OASI, DI, and SSI programs and other outlays such as administrative payments. For the eighth consecutive year, we performed a review of our administrative payments, including payroll disbursements, vendor payments, etc. We found these payments were not susceptible to significant improper payments. Further information on this risk assessment of our administrative payments is available in the Improper Administrative Payments section.

Statistical Sampling

We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review a sample of OASI cases, DI cases, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We then input the findings into a national database for analysis and report preparation.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay either more or less than what we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year average for each type of deficiency to rank and identify trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to current OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for the current and previous reporting periods.

AGENCY EFFORTS TO REDUCE IMPROPER PAYMENTS

Our employees are focused on achieving our goals to reduce improper payments. We have the human capital, internal controls, information systems, and other infrastructure necessary to assist them.

Human Capital to Support Improper Payment Workloads

For our program integrity reviews, we completed increasing numbers of CDRs and SSI redeterminations between FY 2007 and FY 2010. Even with our reduced FY 2011 funding, our CDR and SSI redetermination goals remained the same as the goals in FY 2010. This year, we completed 2,456,830 SSI redeterminations and 345,492 full medical CDRs. We estimate that every dollar spent on full medical CDRs yields at least $10 in lifetime program savings; every dollar spent on SSI redeterminations yields better than $7 in program savings over 10 years, including savings accruing to Medicaid. We completed 323,748 work CDRs in FY 2011.

Our program integrity work is labor-intensive and dependent on having the necessary trained staff to do the work. The same employees who handle our program integrity work also handle applications for benefits. We cannot continue to improve our processes without adequate resources to complete all the work for which we are responsible. Sustained, adequate funding is crucial to providing us with the necessary staff to balance our service and stewardship work and continue to reduce improper payments.

The *Budget Control Act* (Public Law 112-25) includes program integrity initiatives to reduce improper benefit payments under (among other Federal programs) the DI and SSI programs. It allows adjustments to the Governmentwide discretionary caps in order to permit additional appropriations for purposes of conducting CDRs and SSI redeterminations to the extent that such appropriations for program integrity purposes exceed $273 million a year. For FY 2012, the funding adjustment authorized is $623 million. If appropriated, the total amount of $896 million would enable us to complete approximately 240,000 more periodic medical CDRs and 200,000 more SSI redeterminations compared to FY 2011, resulting in significant savings of taxpayer dollars.

Internal Controls

We have a well-established, agency-wide management control and financial management systems review program as required by the *Federal Managers' Financial Integrity Act*. 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.

The effective internal controls we incorporate into our business processes and financial management systems, as well as program integrity efforts mentioned throughout this report, support the Commissioner's annual statement to the President and Congress on whether our:

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;

- Financial management systems are in conformance with Governmentwide requirements; and
- Internal controls over financial reporting are operating effectively.

As part of our FY 2011 financial statement audit, Grant Thornton, LLP, found that we fairly stated that our internal controls over financial reporting were operating effectively.

We include the Commissioner's annual statement of assurance and additional information on our review program and our financial statement audit in the *Systems and Controls* section of this *Performance and Accountability Report*.

Our strong overall internal control program contributes significantly to the agency's efforts to reduce improper payments.

Information Systems

The Comprehensive Integrity Review Process supports our stewardship responsibility to ensure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This process enables us to fulfill our obligation to comply with Federal laws, such as the *Federal Managers' Financial Integrity Act*, which requires that we establish and maintain effective internal controls. The Comprehensive Integrity Review Process automatically selects, based on predefined criteria, potentially fraudulent transactions for management investigation. The selection criteria focus on potentially fraudulent activity rather than improper payments. However, if the transaction involves an issued payment, we do ask the reviewer to look at the accuracy of the payment to ensure that we complied with proper procedures.

Other Infrastructure

As required by law, we conduct preeffectuation reviews (PER) on at least 50 percent of initial and reconsideration allowance disability determinations made by the State Disability Determination Services (DDS). In FY 2009, we initiated PERs of all DDS allowances for OASDI benefits and initial and reconsideration allowances for the SSI program. We returned deficient cases to the DDSs for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2009 cases will result in lifetime savings (after all appeals) of:

- $300 million in OASDI benefit payments;
- $58 million in Federal SSI payments;
- $151 million in Medicare benefits; and
- $48 million in the Federal share of Medicaid payments.

(See the Medical Aspects of the DI and SSI Programs section for further information on PER.)

Statutory and Regulatory Barriers

Our processes, policies, and regulatory and statutory requirements are complicated, which make them difficult to administer and explain. To meet the challenges of our growing workloads and provide the best service possible, we will simplify and streamline our policies and procedures and move more of our business processes to an electronic environment. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The President's FY 2012 Budget includes several proposals that would simplify and streamline how we do our work. We discuss some of these proposals in the following paragraphs.

DI Demonstration Authority/Work Incentives Simplification Pilot

This proposal would reauthorize, for five years, our demonstration authority, which allows us to use OASDI, Federal Hospital Insurance, and Federal Supplementary Medical Insurance Trust Fund monies to conduct various demonstration projects, including alternative methods of treating work activity of disabled OASDI beneficiaries (including recipients of childhood disability benefits and disabled widow(er) benefits). Subject to rigorous evaluation protocols, the Work Incentives Simplification Pilot (WISP) would test important improvements in our return-to-work rules. WISP would eliminate current barriers to employment by simplifying the treatment of beneficiaries' earnings, potentially reducing improper payments.

Windfall Elimination Provision and Government Pension Offset

Under this proposal, we would develop automated data exchanges for States and local governments to submit timely information on pensions based on work not covered by Social Security. The proposal includes funding for developing and implementing the data exchanges. Receiving this pension information timely would help us avoid improper payments created when we do not know a beneficiary is receiving a pension that makes the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) applicable.

Workers' Compensation

Under this proposal, we would develop and implement a system to collect information on Workers' Compensation (WC) recipients from States and private insurers. We would use the information to offset DI benefits and reduce SSI payments as necessary. This proposal includes funding for developing and implementing the system. Receiving this information timely would help us avoid improper payments that occur when we do not have information about receipt/amount of WC payments.

IMPROPER PAYMENTS IN THE OASI AND DI PROGRAMS

Table 1 features the improper payment rates for the OASI and DI programs for FYs 2008, 2009, and 2010. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 1: OASDI Improper Payments Experience
FY 2008 – FY 2010
(dollars in millions)

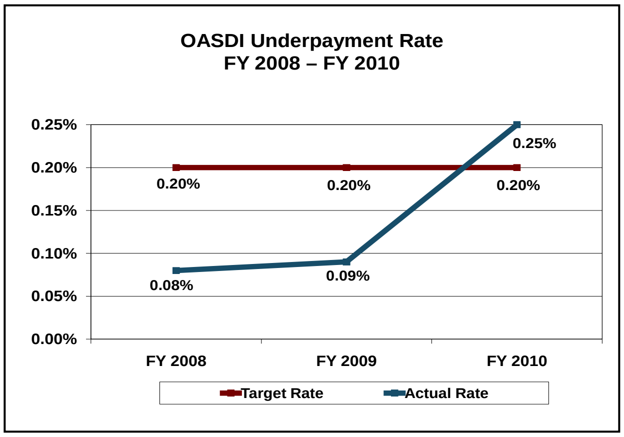
	FY 2008		FY 2009		FY 2010	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$502,692		$544,478		$572,569	
Underpayment Error	$334	0.07%	$428	0.08%	$527	0.09%
Overpayment Error	$841	0.17%	$841	0.15%	$1,878	0.33%
DI						
Total Benefit Payments	$104,517		$115,087		$122,899	
Underpayment Error	$160	0.15%	$191	0.17%	$1,261	1.03%
Overpayment Error	$1,200	1.12%	$1,706	1.48%	$844	0.69%
OASDI						
Total Benefit Payments	$607,210		$659,565		$695,469	
Underpayment Error	$495	0.08%	$619	0.09%	$1,788	0.25%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$2,041	0.34%	$2,547	0.37%	$2,722	0.39%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments represent actual cash outlays for the fiscal year to the nearest million dollars. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
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 percent confidence level for all rates shown. Confidence intervals are: for FY 2008, +0.06 percent and -0.04 percent for underpayments and +0.16 percent and -0.12 percent for overpayments; for FY 2009, ±0.05 percent for underpayments and +0.15 percent and -0.17 percent for overpayments; and for FY 2010, ±0.03 percent for underpayments and +0.32 percent and -0.35 percent for overpayments.
4. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2008, +0.14 percent and -0.12 percent for underpayments and ±0.91 percent for overpayments; for FY 2009, +0.16 percent and -0.17 percent for underpayments and ±1.33 percent for overpayments; and for FY 2010, +0.88 percent and -0.87 percent for underpayments and +0.68 percent and -0.72 percent for overpayments.
5. The changes in the DI error rates from FY 2009 to FY 2010 are not statistically significant. The change in the overall OASDI underpayment error rates from FY 2009 to FY 2010 is a statistically significant increase. While significant, the overall underpayment rate changed by only 0.16 percentage points.

Over the last five years (FYs 2006-2010), we paid approximately $2.6 trillion to OASI beneficiaries. Of that total, we project $4.9 billion are overpayments, representing 0.19 percent of outlays. We project that underpayments during this same period were $2.1 billion, the equivalent of 0.08 percent of outlays.

Applying the same analysis to the DI program, we project that we paid $530.5 billion to DI beneficiaries over the last five years (FYs 2006-2010). Of that total, we project $5.5 billion are overpayments, representing 1.0 percent of outlays. We project underpayments during this same period totaled $2.3 billion, the equivalent of 0.4 percent of outlays.



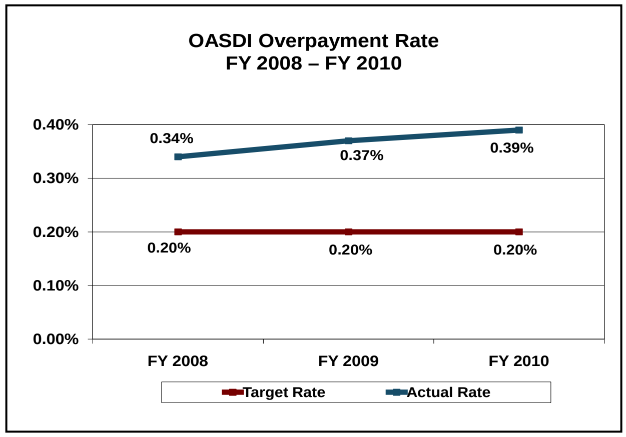


Table 2 presents our target accuracy goals for FYs 2011, 2012, and 2013 for the OASDI programs. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments.

Table 2: OASDI Improper Payments Reduction Outlook
FY 2011 – FY 2013
(dollars in millions)

	2011 Target		2012 Target		2013 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	$722,190		$755,180		$796,168	
Underpayments	$1,444	0.20%	$1,510	0.20%	$1,592	0.20%
Overpayments	$1,444	0.20%	$1,510	0.20%	$1,592	0.20%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, we present a combined OASI and DI target.
2. FY 2011 data will not be available until April 2012; therefore, the rates shown are targets (goals).
3. Total benefit payments for FYs 2011-2013 are estimates consistent with projections for the President's FY 2012 Budget.

Major Causes of OASDI Improper Payments

Over the last five years, the major causes of overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- GPO
- Earnings History

Over the last five years, the major causes of underpayments in the OASDI program have been:

- Computations
- Earnings History
- WC

Table 3 lists these major causes of improper payments (overpayments and underpayments) in the OASDI program using OMB's three categories of error.

Table 3: Major Causes of OASDI Improper Payments in FY 2010

	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	28%	Incorrect computations, onset dates, and earnings history
Authentication and Medical Necessity Errors	13%	Relationship/dependency errors and failure to report cessation of full-time attendance for students
Verification and Local Administration Errors	59%	Non-verification of earnings, income, or work status (e.g., in relation to SGA and GPO); inputting, classifying, or processing applications or payments incorrectly

Notes:

Beginning in 2009, OMB required us to categorize improper payments in our programs into one of three categories as defined below:

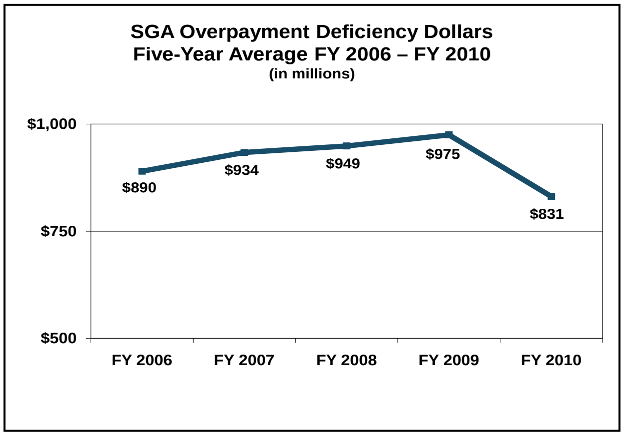
- **Administrative and Documentation Errors** are errors due to the lack of all supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** 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.

Substantial Gainful Activity

Description:

When a disability beneficiary works, a number of factors determine whether he or she can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely or when we do not withhold monthly benefit payments timely. The following chart displays the five-year average of SGA overpayment deficiency dollars.

Historical Figures:



Corrective Actions:

The following table shows our actions to ensure accurate reporting of beneficiaries' earnings:

Table 4: SGA – Corrective Actions

Description	Target Completion	Results
Case Focus		
We dedicated staff to target the oldest cases first.	Ongoing	We have allocated additional staff resources to analyze the oldest work-related issues and are targeting the oldest cases, those over 365 days old.
Priority Alerts		
We prioritized the systems enforcement alerts we use to identify unreported earnings and then worked the cases with highest earnings first to minimize overpayments.	Ongoing	In regions not involved in our predictive model pilot study, we now prioritize the CDR enforcement alerts used to identify unreported earnings, and complete the cases with highest earnings first to minimize overpayments.
We are conducting the Automated Earnings Reappraisal Operation Pilot.	To be determined based on study results	In the pilot, we are working to coordinate two earnings related processes: benefit recomputations and identifying DI beneficiaries with unreported earnings. Our goal is to prioritize and review cases with unreported earnings before we compute and issue any benefit increase.

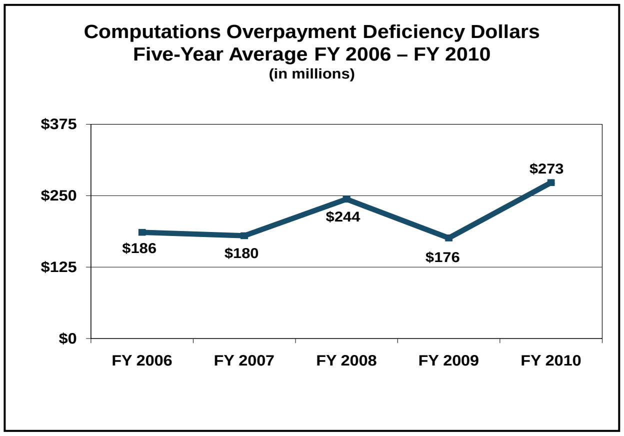
Table 4: SGA – Corrective Actions		
Description	**Target Completion**	**Results**
We are conducting the CDR Enforcement Operation Predictive Model Pilot.	To be determined based on study results	We developed a statistical predictive model that identifies beneficiaries who are at risk of receiving large earnings-related overpayments. We began testing this model in October 2010 in our New York Region, and we have expanded the pilot to include over 50 percent of the CDR workload with the inclusion of the Kansas City Region and the Office of Central Operations. The predictive model will help us prioritize staff resources to work high-risk cases first and reduce the amount of work-related overpayments.
Improved Communication		
We improved communication between field offices and processing centers (PC) for cases transferred between components (e.g., field office cases manually processed by the PC).	October 2011	We are working with representatives from each PC to update and streamline our CDR policies and procedures for PC staff. We will make the updated and consolidated instructions available to field offices and PCs to better coordinate field office and PC actions on work issue cases.
Wage Reporting		
We revised work activity report forms.	February 2012	We recently revised the forms we use to gather information about work activity from applicants and beneficiaries to make the forms easier to understand and complete. For example, we streamlined documentation requirements for work activity that is not SGA, and we eliminated the signature requirement. We received OMB approval for the forms and are currently working with our Office of Systems to incorporate the forms into our computer systems. We will also update our policies to streamline our follow-up procedures when beneficiaries do not respond to our request for information. We plan to release our new procedures and work activity report forms simultaneously.
Legislative Proposal		
We submitted an FY 2012 President's Budget legislative proposal that would reauthorize our demonstration authority to conduct WISP. WISP would test important improvements in our return-to-work rules and simplify the treatment of beneficiaries' earnings, potentially reducing improper payments. (See the Agency Efforts to Reduce Improper Payments section.)	Pending	The 112th Congress has not taken action yet.

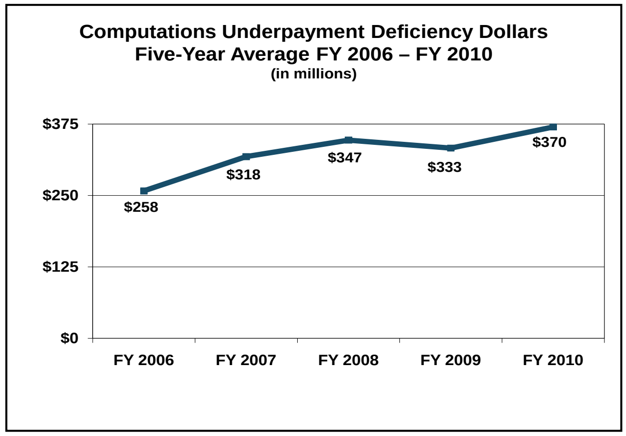
Computations

Description:

We base a person's benefit amount on a number of factors including age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits. There are a wide variety of causes for computation errors. For the FY 2006 through FY 2010 period, approximately 57 percent of the computation errors were underpayments, with the leading causes being recomputations, the WEP, primary insurance amount, and adjustment of the reduction factor. (Note: A definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html.) For FY 2006 through FY 2010, errors involving WEP were the leading cause of computational deficiency dollars. Overpayments often result when we do not receive pension information timely and, therefore, do not apply WEP appropriately. Nearly 50 percent of the overpayment computational deficiency dollars for the FY 2006 through FY 2010 period involved WEP.

Historical Figures:





Corrective Actions:

The following table shows our actions to ensure accurate benefit computations:

Table 5: Computations – Corrective Actions

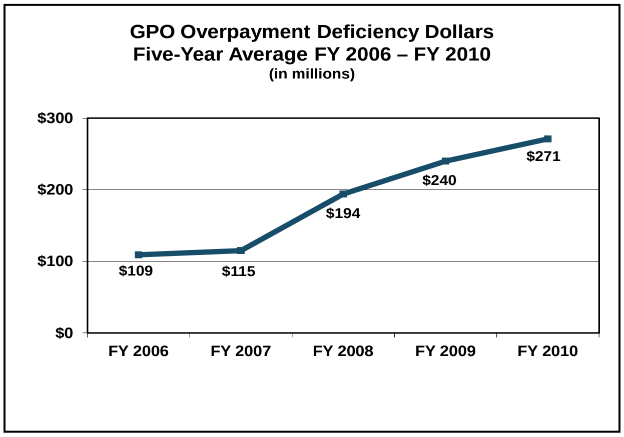
Description	Target Completion	Results
Civil Service Retirement System (CSRS) Match		
We conduct an ongoing match with the Office of Personnel Management (OPM) to identify Federal retirees receiving a CSRS pension.	Ongoing	For FY 2011, the OPM match generated 10,272 WEP alerts.
Centenarian Project		
We conduct an annual national Centenarian Project to ensure that we pay benefits only to eligible, living individuals. Our managers review the records of selected centenarian beneficiaries and attempt contacts.	Ongoing	Of the nearly 9,220 centenarian cases we reviewed from April 2010 to December 2010, we found 19 percent of the beneficiaries were deceased. We identified $21.7 million in erroneous payments. In 2011, we reviewed 10,700 cases.

Government Pension Offset

Description:

We may offset OASDI benefits for a spouse or surviving spouse if he or she receives a Federal, State, or local government pension based on work on which the spouse did not pay Social Security taxes. Errors occur when beneficiaries do not report receipt of these types of pensions. The following chart displays the five-year average of GPO overpayment deficiency dollars. (Note: A definition of GPO is available at: www.socialsecurity.gov/pubs/10007.html)

Historical Figures:



Corrective Actions:

The following table shows our actions to reduce improper payments caused by the non-reporting of government pensions:

Table 6: GPO – Corrective Actions		
Description	**Target Completion**	**Results**
CSRS Match		
We conduct an ongoing match with OPM to identify Federal retirees receiving a CSRS pension.	Ongoing	For FY 2011, the OPM match generated 1,723 alerts.
Legislative Proposal		
We submitted an FY 2012 President's Budget legislative proposal for automated data exchanges.	Pending	The 112th Congress has not taken action yet.

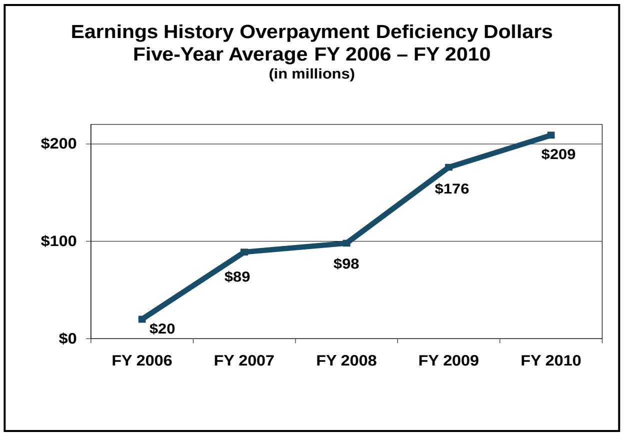
Earnings History

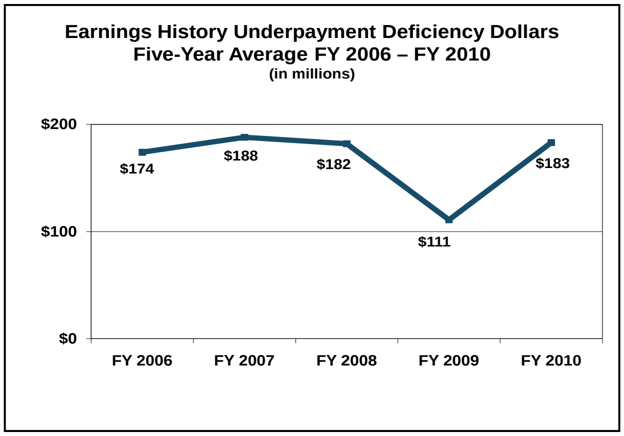
Description:

A person's earnings history is a factor in determining the amount of monthly benefits that the worker or someone filing on that the worker's account will receive. When our records do not accurately reflect the worker's earnings, we may calculate benefits incorrectly. For FY 2006 through FY 2010, errors based on earnings history are 47 percent underpayment and 53 percent overpayment dollars.

Wage discrepancies and scrambled earnings (i.e., earnings belonging to one worker posted to another worker's record) account for the largest percentage of earnings errors. Although earnings-related errors usually involve small dollars in each month of payment, the errors can have a substantial effect over the life of the claim.

Historical Figures:





Corrective Actions:

The following table shows our actions to reduce errors related to earnings history:

Table 7: Earnings History – Corrective Actions

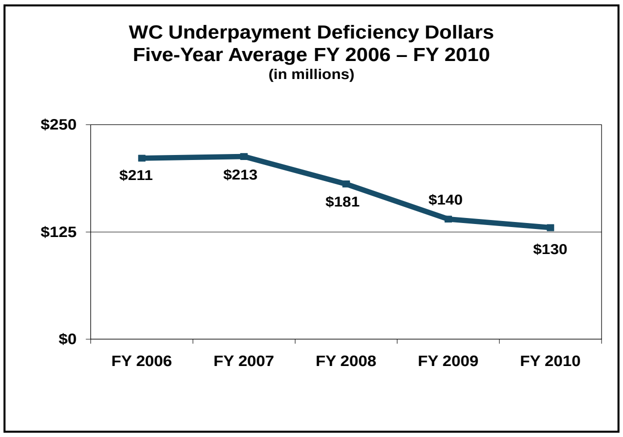
Description	Target Completion	Results
Emphasize Corrected Earnings		
In FY 2009, we modified our instructions to clarify evidence needed for correcting earnings and eliminated development that does not affect the accuracy of the earnings record.	Ongoing	We are performing additional studies that would help determine the effect of our modified instructions.
Earnings Alert System		
In FY 2010, we modified the Earnings Alert System to allow adjudicators to identify and develop those irregularities on the earnings record which, when resolved, will most likely affect the worker's benefit payment.	Ongoing	We have completed the majority of the modifications to the Earnings Alert System and have updated the associated policy instructions. We are performing additional studies that would will help determine the effect of our modified Earnings Alert System.

Workers' Compensation

Description:

If a person receives both WC and Social Security disability benefits, the total amount of these benefits cannot exceed 80 percent of his or her average earnings before becoming disabled. (Note: A definition of WC is available at: www.socialsecurity.gov/pubs/10018.html.) If the total benefits exceed that amount, we reduce DI benefits to the 80 percent threshold. Underpayments occur when the receipt of WC decreases or ceases and we do not increase the disability benefit. The following chart displays the five-year average of WC underpayment deficiency dollars.

Historical Figures:



Corrective Actions:

The following table shows various actions to reduce improper payments caused by unreported changes in WC:

Table 8: WC – Corrective Actions		
Description	**Target Completion**	**Results**
WC Policy Forum		
In November 2008, we established the WC/Public Disability Benefits (PDB) Policy Forum, which is an intercomponent workgroup that addresses new WC policy issues to advance improvements needed in the WC workload.	Ongoing	The WC/PDB Policy Forum holds quarterly discussions to address issues related to WC/PDB policy and procedures.
Instructions Update		
We updated all policy instructions with a clear and reorganized format, expanded information and guidance for developing WC evidence, incorporated regional instructions, where appropriate, and added technical guidance on new software to improve the overall accuracy of the WC workload.	Ongoing	In addition to updated national operating instructions, we created the WC Resource Page to provide a centralized resource for analysts and technicians charged with administrating WC/PDB workloads. The website contains links to resources and tools to assist with the adjudication of WC/PDB cases.
Automated Processing		
We developed and implemented an automated process to ensure the agency systematically and routinely follows up on new pending WC cases.	Ongoing	We generate systems alerts at regular intervals for pending WC/PDB cases. The alert allows us to routinely monitor and control pending cases, and make timely adjustments to OASDI benefit payments.
Legislative Proposal		
We submitted an FY 2012 President's Budget legislative proposal requiring State and local governments and private insurers to share WC payment information.	Pending	The 112^{th} Congress has not taken action yet.

IMPROPER PAYMENTS IN THE SSI PROGRAM

Table 9 features the improper payment rates for the SSI program for FYs 2008, 2009, and 2010. We calculate the overpayment rate by dividing overpayment dollars by dollars paid and the underpayment rate by dividing underpayment dollars by dollars paid.

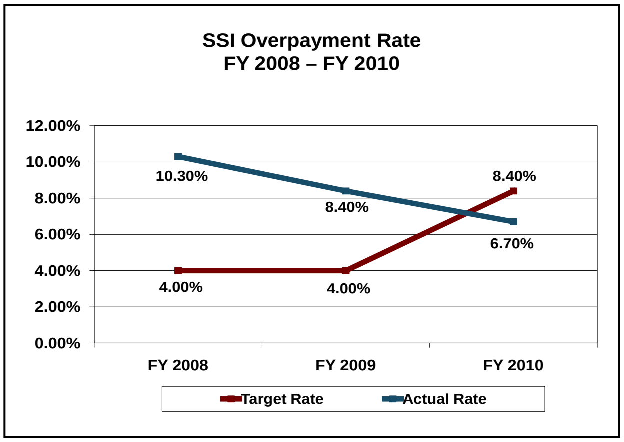
Table 9: SSI Improper Payments Experience FY 2008 – FY 2010 (dollars in millions)

	FY 2008	FY 2009	FY 2010
Total Federally-Administered Payments			
Dollars	$45,045	$48,294	$50,276
Underpayments			
Dollars	$789	$787	$1,227
Target Rate	≤1.2%	≤1.2%	≤1.2%
Actual Rate	1.7%	1.6%	2.4%
Overpayments			
Dollars	$4,648	$4,040	$3,344
Target Rate	≤4.0%	≤4.0%	≤8.4%
Actual Rate	10.3%	8.4%	6.7%

Notes:

1. Total federally-administered payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented in Table 9 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
3. SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2008, ±0.53 percent for underpayments and ±1.46 percent for overpayments; for FY 2009, ±0.03 percent for underpayments and ±1.5 percent for overpayments; and for FY 2010, ±0.66 percent for underpayments and ±1.05 percent for overpayments.
4. The increase in the underpayment rate from FY 2009 to FY 2010 is statistically significant. It was mainly due to the following factors:
   - The failure of recipients to report a living arrangement change from "household of another" to "own household"; and
   - The failure to report a stoppage of work or a decrease in the amount of wages received.

Over the last five years (FYs 2006-2010), we paid over $226.5 billion to SSI recipients. Of that total, we project $19.1 billion were overpayments, representing 8.4 percent of outlays. We project that underpayments during this same period were $4.3 billion, the equivalent of 1.9 percent of outlays.



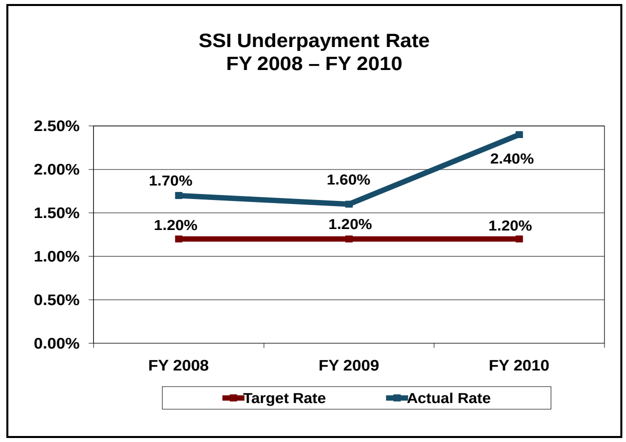


Table 10 presents our target accuracy goals for FYs 2011, 2012, and 2013 for the SSI program.

Table 10: SSI Improper Payments Reduction Outlook
FY 2011 – FY 2013
(dollars in millions)

	2011 Target		2012 Target		2013 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally-Administered Payments	$52,520		$54,876		$57,375	
Underpayments	$630	1.2%	$659	1.2%	$689	1.2%
Overpayments	$3,519	6.7%	$2,744	5.0%	$2,869	5.0%

Notes:

1. Our Annual Performance Plan and Congressional Justification, issued in February 2011, reflect an FY 2011 SSI overpayment target rate of 8.0 percent. Because of the lag in producing actual performance data, we did not receive FY 2010 SSI overpayment accuracy data until June 2011. The increase in our FY 2010 accuracy rate prompted us to revise the FY 2011 SSI overpayment target to 6.7 percent.
2. Total federally-administered SSI payments are estimates consistent with projections for the President's FY 2012 Budget, adjusted to be presented on a constant 12-month per year payment basis.

Major Causes of SSI Improper Payments

Over the last five years, the major causes of overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

Over the last five years, the major causes of underpayments in the SSI program have been:

- Wages
- Living Arrangement
- In-kind Support and Maintenance (ISM)

Table 11 lists these major causes of improper payments (overpayments and underpayments) in the SSI program using OMB's three categories of error.

Table 11: Major Causes of SSI Improper Payments in FY 2010		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	12%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change
Authentication and Medical Necessity Errors	33%	Existence or changes to living arrangements and ISM
Verification and Local Administration Errors	55%	Detection of unreported financial accounts and wages

Notes:

Beginning in 2009, OMB required us to categorize improper payments in our programs into one of three categories as defined below:

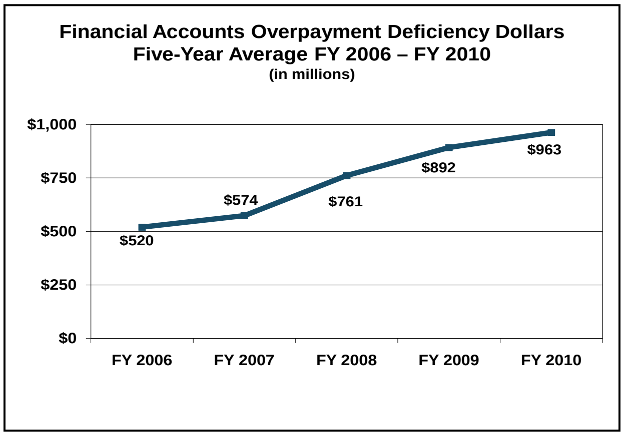
- **Administrative and Documentation Errors** are errors due to the lack of all supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** 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.

Financial Accounts

Description:

The applicant or recipient (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits ($2,000 individual/$3,000 couple) that may result in periods of SSI program ineligibility.

Historical Figures:



Corrective Actions:

The following table shows our actions to reduce errors related to financial accounts:

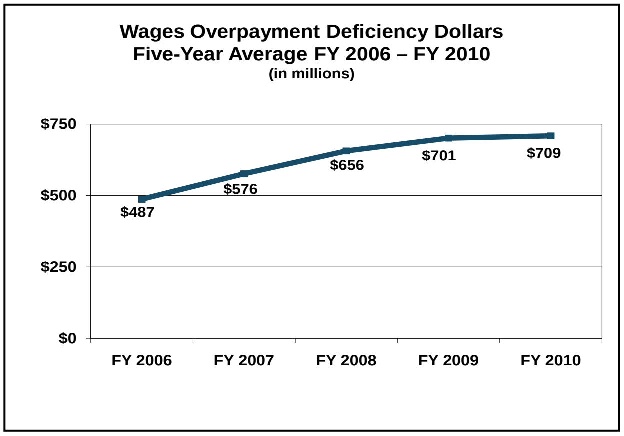
Table 12: Financial Accounts – Corrective Actions		
Description	**Target Completion**	**Results**
AFI		
We currently use AFI in 50 States, the District of Columbia, and the Northern Mariana Islands. AFI is an electronic process that verifies bank account balances with financial institutions to identify excess resources in financial accounts.	September 2011	In June 2011, three months earlier than our target date of September 2011, we completed expansion of AFI nationwide. As a result, we can apply AFI procedures to all of our SSI applicants and recipients. In addition, we perform five negative searches for each applicant/recipient.
We will increase the number of transactions received to 500,000.	September 2011	In March 2011, six months ahead of schedule, we completed 552,304 cumulative bank transactions, thus surpassing our FY 2011 goal of 500,000. We completed 2,048,678 cumulative transactions through September 30, 2011.
In FY 2013, we plan to fully implement AFI which will include the following: • Use a $0 tolerance for all SSI initial claims and redeterminations. • Conduct at least five negative searches per applicant/recipient. • Fully integrate AFI with our claims system.	FY 2013	Beginning in FY 2013, when we fully implement AFI, we project roughly $900 million in lifetime program savings for each year we use the fully implemented process. After full implementation, we also estimate we should achieve roughly $20 in total lifetime SSI program savings for every $1 spent on the program.

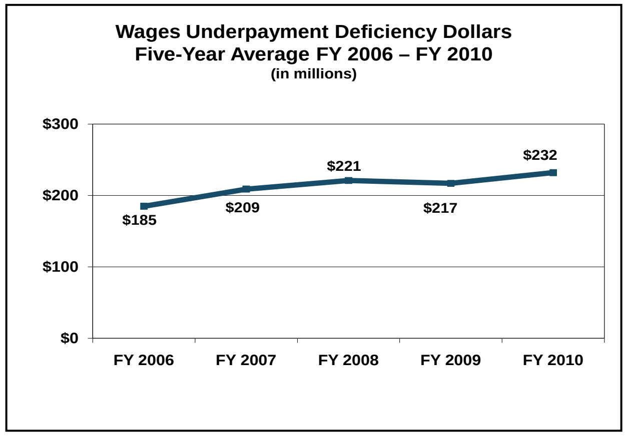
Wages

Description:

The recipient (or his or her parent or spouse) has actual wages that differ from the wage amount used to calculate payment.

Historical Figures:





Corrective Actions:

The following table shows our actions to reduce errors related to wages:

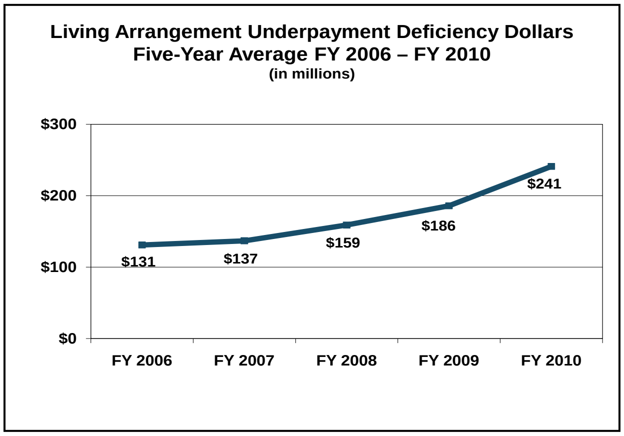
Table 13: Wages – Corrective Actions		
Description	**Target Completion**	**Results**
SSITWR		
In FY 2008, we implemented SSITWR. SSITWR allows recipients (or their parent, spouse, or representative payee) to report their monthly wage amounts via an automated system that ensures the wage amounts post timely.	Ongoing	There were 28,650 successful SSITWR reports in May 2011, thus surpassing our FY 2011 goal of 28,000 monthly reporters. As of September 2011, we had 28,624 monthly reporters.
SSITWR Representative Payee Outreach		
In the first quarter of FY 2011, we mailed notices to a sample of individuals serving as representative payees for working SSI recipients. The notice asked the payee to start using SSITWR to report the individual's wages to us.	Ongoing	Overall, the pilot demonstrates that notice-based outreach can enlist a significant number of individuals (about 14,000) to SSITWR-based reporting. In the future, we plan to conduct a mailing to the entire SSI population.

Living Arrangement

Description:

We paid the recipient as if he or she were living with someone else when the recipient actually qualified for a higher payment level, such as for those who live alone.

Historical Figures:



Corrective Actions:

The following table shows our actions to reduce errors stemming from living arrangement information:

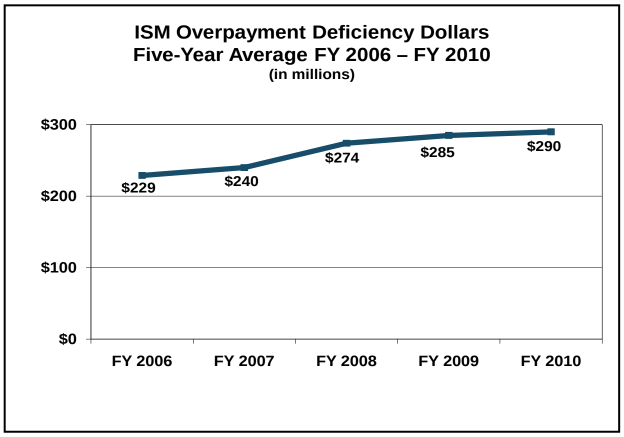
Table 14: Living Arrangement – Corrective Actions		
Description	**Target Completion**	**Results**
Redetermination Funding		
In the FY 2012 President's Budget proposal, we requested funding to perform 200,000 more redeterminations than our FY 2011 target of 2.422 million. This increase, consistent with the *Budget Control Act*, will reduce the number of underpayments owed to recipients by identifying living arrangement changes earlier.	Pending	The 112th Congress has not taken action yet.

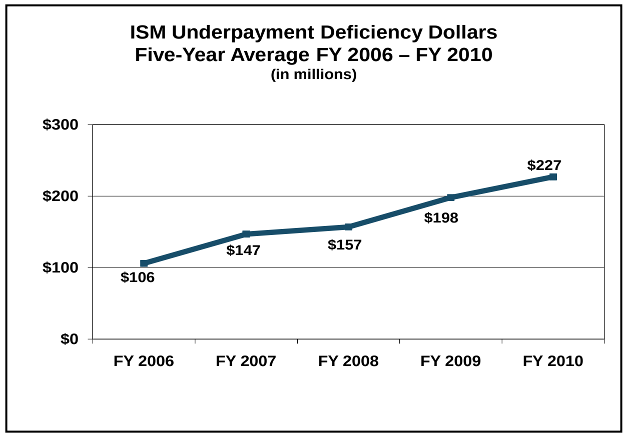
In-Kind Support and Maintenance

Description:

ISM is unearned income in the form of food or shelter received, with underpayments occurring when the recipient's amount of ISM is less than the amount used to calculate payment. Overpayments can also occur when the recipient fails to report ISM. Studies show that many of the errors attributed to ISM are due to the complexity of the statutory policies for the program. These policies are difficult for SSI recipients to understand, making it problematic for them to report changes to us in a timely manner. This complexity also means that seemingly small changes in a recipient's household can result in an overpayment or an underpayment. The following charts display the five-year average of ISM overpayment and underpayment deficiency dollars.

Historical Figures:





Corrective Actions:

The following table shows our actions to reduce errors stemming from ISM information:

Table 15: ISM – Corrective Actions

Description	Target Completion	Results
Statutory, Regulatory, Policy and Procedure Review		
We review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	We issue reminders and policy clarifications on a regular basis, and will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

Other Initiative to Reduce SSI Improper Payments

In FYs 2011 and 2012, we are piloting a program to investigate non-home real property informational leads via several web-based commercial sources. The purpose of this pilot is to determine the accuracy and reliability of property information available on the leading commercial websites and assess the cost-effectiveness of using this information to identify undisclosed property for SSI beneficiaries and applicants. We will use the study results to develop a methodology to reduce improper SSI payments caused by undisclosed property ownership.

Medical Aspects of the DI and SSI Programs

DDSs are responsible for completing the medical determinations at the initial, reconsideration, and CDR stages of the disability process. Table 16 highlights the initial allowance, denial, and overall accuracy rates for FYs 2009 and 2010. We determine these rates by our quality assurance review of a sample of pre-effectuated initial claims. We base accuracy rates not only on the number of deficient cases but also on whether the cited deficiency resulted in a change in the original DDS determination on the case. For FY 2010, the combined allowance and denial goal for net accuracy was 98.1 percent.

Table 16: DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	**FY 2009**	**FY 2010**
Allowance	99.1%	99.2%
Denial	95.5%	97.4%
Combined	96.8%	98.1%
Note: The overall change from FY 2009 to FY 2010 is 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., PER. We use a logistic regression methodology to profile initial and reconsideration allowances. Cases falling within the established cutoff score constitute the PER sample. We review all sampled determinations and return deficient cases to the adjudicating DDS for correction. For FY 2009, PER in the OASDI program saved an estimated $488 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of $11 saved for every dollar spent.

The *Social Security Act* also includes an extension of the PER review of favorable adult disability decisions to the SSI program. We are required to review 50 percent of adult allowances in the SSI program. For FY 2009, SSI PER saved an estimated $69 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of $8 saved for every dollar spent. Combined, the two PER reviews result in an estimated $558 million in lifetime savings.

Use of Predictive Modeling in the OASDI Process

We developed a predictive model that more effectively identifies DI beneficiaries at risk of the highest overpayments due to earnings. We designed this model to identify those cases with the highest potential for overpayment based on work activity.

In FY 2011, we completed the following:

- Implemented a pilot study to test the predictive model. We are currently evaluating its performance; and
- Expanded the pilot to two additional sites.

In FY 2012, we plan to complete the following:

- Complete a performance evaluation of the pilot study including all three piloted sites; and
- Based on the results of the pilot, consider national implementation of the model.

Use of Predictive Modeling in the SSI Redetermination Process

We do not have the resources to conduct an annual redetermination on every SSI recipient each year; therefore, we use a statistical scoring model to target annual SSI redeterminations. This statistical model, which has been in place for nearly two decades, uses various income, resource, and living arrangement variables obtained from our SSI payment and claim processing systems to predict likely SSI overpayments and underpayments. Each year we identify claims for review based on the likelihood of error and prioritize the reviews based on allocated funds. The SSI redetermination scoring model is a highly effective tool for ensuring that the selection of SSI redeterminations is efficient and cost effective. In FY 2010 alone, our SSI redeterminations resulted in prevention and recovery of about $3.8 billion in SSI overpayments. The agency would have prevented and recovered only $2.4 billion if we used random selection instead of the model.

AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASI, DI, AND SSI PROGRAMS

We collected $3.20 billion in OASDI and SSI benefit overpayments in FY 2011. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

Table 17: Programmatic Debt Overpayments – Detections and Recoveries
(dollars in millions)

Recovery Method	Amount Identified FY 2011	Amount Recovered FY 2011	Amount Identified FY 2010	Amount Recovered FY 2010	Cumulative Amount Identified FY 11 + 10	Cumulative Amount Recovered FY 11 + 10
Detections	$5,666.8		$5,238.7		$10,905.5	
Reestablished	$229.7		$233.0		$462.7	
Remittances		$719.3		$712.1		$1,431.4
Offsets Intra-Program		$2,333.1		$2,286.8		$4,619.9
Offsets Cross-Program		$149.4		$141.9		$291.3
Total	$5,896.5	$3,201.8	$5,471.7	$3,140.8	$11,368.2	$6,342.6

Notes:

1. We use multiple methods to detect overpayments; for example, data sharing, self-reporting by our beneficiaries, and systems computations. However, we are unable to identify all the debt detection sources by activity. In addition, detected overpayments in a given fiscal year represent identified debt that can span multiple fiscal years.
2. This chart contains identified and recovered program overpayments. However, we do not consider every overpayment improper according to the definition contained in IPIA.

From their inception through September 2011, our external collection techniques have yielded $3.832 billion in benefits recovered through a combination of overpayment recovery and prevention improvements. Table 18 provides a description of each of our key debt management initiatives and a summary of the results since their inception.

We developed a system to handle the Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment (AWG). Because the system covers more than TOP, and will be the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation system.

To further improve our debt collection program, we will continue with the implementation of the External Collection Operation Enhancements project by implementing Phase II, which will allow us to collect delinquent debts by offsetting Federal payments through TOP beyond the current 10-year statute of limitations, as authorized by Public Law 110-246 and 31 United States Code 3716. Phase I, implemented in July 2010, enabled us to collect delinquent SSI debts from a population of debtors previously excluded from the automated External Collection Operation selection process. As resources permit, we will also pursue implementation of Phase III to collect delinquent debts by offsetting applicable State payments through TOP.

We will also continue to seek the resources to expand the Non-Entitled Debtor (NED) program and implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, the use of private collection agencies, and interest charging or indexing a debt to reflect its current value.

Table 18: Cumulative Programmatic Debt Recovery Methods Through FY 2011
(dollars in billions)

Recovery Method	Inception	Description	OASDI	SSI	TOTAL
TOP	1992	TOP is a debt collection program sponsored by the Department of the Treasury (Treasury) that allows us to collect delinquent debt by Tax Refund Offset, Administrative Offset, and Federal Salary Offset. We collected $165.8 million in FY 2011 through these initiatives.	$1.193	$0.788	$1.981
Credit Bureau Reporting	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of $60.1 million in FY 2011.	$0.372	$0.275	$0.647 *
Cross Program Recovery	2002	Cross Program Recovery recovers OASDI overpayments from SSI underpayments, and SSI overpayments from monthly OASDI benefit payments and OASDI underpayments.	$0.116	$0.648	$0.764
NED	2005	NED is an automated system used to control recovery activity for debts owed by debtors who are not entitled to benefits, such as representative payees who receive overpayments after the death of a beneficiary. We used the NED system to recover $3.5 million in FY 2011.	$0.022	N/A	$0.022 **
AWG	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private sector disposable pay. We collected $19.0 million through this process during FY 2011.	$0.076	$0.017	$0.093
Automatic Netting – SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $129.2 million in FY 2011.	N/A	$0.994	$0.994
Total			$1.385	$2.447	$3.832

Notes:

*Credit bureau reporting is a subset of TOP collections, and, therefore, is not included in the overall total at the bottom of the chart.

**NED is a subset of TOP and AWG collections, and therefore, is not included in the overall total at the bottom of the chart.

Program Recovery Targets

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). We are currently exploring, with OMB, methodologies to identify appropriate recovery targets for SSI and OASDI.

IMPROPER ADMINISTRATIVE PAYMENTS

We evaluated our FY 2010 administrative expenses, and determined that they were not susceptible to significant improper payments as defined by IPIA.

Risk Assessment: Administrative Payments

IPERA requires agencies to review administrative payments as part of their annual risk assessment process. If these risk assessments determine that payments are susceptible to significant improper payments, then agencies are required to establish an annual improper payment measurement related to administrative payments.

We segment administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 19: FY 2010 Administrative Expenses (dollars in millions)	
Payroll and Benefits	$6,037
State DDS	$2,114
American Recovery and Reinvestment Act*	$471
Other Administrative Expenses**	$2,964
Total Administrative Expenses	$11,586

Notes:

*Includes mostly Payroll Expenses.

**Other Administrative Expenses includes Vendor, 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.

As part of the risk assessment, we considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive controls inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

We demonstrate that our administrative payments do not meet the criteria for further improper payment reporting to Congress or OMB.

PAYMENT RECAPTURE AUDIT PROGRAM: ADMINISTRATIVE PAYMENTS

To further strengthen our internal controls, we issued a Request for Quote, soliciting 52 contractors from the General Services Administration schedule to perform payment recapture audit services of our administrative payments. Offerors submitted proposals, and we are currently negotiating final acceptable terms with the offerors. Final award is contingent upon agreement to the contract terms. If an agreement is reached, we anticipate awarding a contract in early FY 2012.

This contract requires the examination of our administrative payment processes to identify overpayments made during FYs 2008 thru 2010. The contractor will:

- Identify funds lost due to overpayments;
- Define the reason for the overpayment;
- Notify us of any overpayments identified; and
- Develop recommendations for preventing future overpayments.

Because we have not yet awarded this contract, no results or corrective actions have been identified. We expect to report on our corrective actions in next year's *Improper Payments Information Detailed Report.* At that time, we will also report on our disposition of recaptured funds.

In addition to the external audit, we use an existing in-house recovery audit program for vendor and travel payments. In response to OMB Guidance, our in-house recovery audit program employs a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount. This helps identify payments that represent a higher risk of being duplicate payments.
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system.
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

This program addresses issues related to recovering and limiting improper payments resulting from duplicate payments and overpayments. Results from the 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 our existing controls for the prevention, detection, and collection of improper vendor and travel payments.

According to OMB guidance, reviewing payments to employees to identify improper payments is optional. However, because our payroll and benefits account for a major portion of our administrative costs, we conduct annual payment accuracy reviews.

Program Scope

For FY 2010, the internal recovery audit program included a review of $1.500 billion in vendor and travel payments out of $1.674 billion subject to review. We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions of the contract.
- Cost-type contracts that were completed, subjected to final contract audit, and prior to payment of the contractor's final invoice.

We identified total improper overpayments of $1.4 million, which equates to approximately 0.09 percent of total payments subject to review for *FY 2011 Performance and Accountability Report* reporting. Of the overpayments identified, only $41,000 remains uncollected as of the end of FY 2010. The remaining receivable balance reflects the timing of when we issued the request for overpayment refund; we consider all vendor and travel overpayments 100 percent collectible. Vendor and travel overpayments recovered and reported are for FY 2010 or prior. These overpayments were from discretionary accounts appropriated before enactment of IPERA (i.e. July 22, 2010) and, as such, do not fall under the requirements of Appendix C of OMB Circular No. A-123 Part 1(15) Disposition of Recovered Amounts. Therefore, we return all amounts recovered to the original appropriation from which the overpayment was made. We recognize IPERA allows further disposition of recovered funds and are evaluating how to implement this provision of the law.

Although the number and amount of overpayments are minimal and immaterial, duplicate payments are the primary cause of vendor overpayments. To ensure identification and recovery of these payments, we designed, developed, and deployed a predictive analytics program to detect and recover these improper payments. Additionally, we developed and implemented internal controls to minimize improper payments.

Payroll and benefits account for a majority of total administrative expenses. Using the broadest definition of improper payments, we extracted all 26 prior period adjustment records from the biweekly payroll files and analyzed that data to determine the reasons for and amount of adjustments to payments that were due to or collected from our employees. For FY 2010, we found approximately $3.0 million in improper payroll overpayments out of $6,375 million total payroll payments, which yielded a 0.05 percent improper overpayment rate.

These results further validate our existing controls to prevent, detect, and collect administrative improper payments.

Table 20: FY 2010 Payment Recapture Audit Reporting Administrative Payments
(dollars in millions)

Type of Payment	Payroll and Benefits	Vendor and Travel
Amount Subject to Review for Current Year (CY) Reporting	$6,375	$1,674
Actual Amount Reviewed and Reported CY	$6,375	$1,500
Amount Identified for Recovery CY	$2.983	$1.424
Amount Recovered CY	$1.465	$1.383
Percent of Amount Recovered out of Amount Identified CY	49.11%	97.14%
Amount Outstanding CY	$1.518	$0.041

Table 20: FY 2010 Payment Recapture Audit Reporting Administrative Payments (dollars in millions)		
Type of Payment	**Payroll and Benefits**	**Vendor and Travel**
Percent of Amount Outstanding out of Amount Identified CY	50.89%	2.86%
Amount Determined Not to be Collectable CY	$0.178	$0.0
Percent of Amount Determined Not to be Collectable out of Amount Identified CY	5.97%	0.0%
Amounts Identified for Recovery Prior Years (PY)	N/A	$7.366
Amounts Recovered PYs	N/A	$7.359
Cumulative Amounts Identified for Recovery (CY + PYs)	$2.983	$8.790
Cumulative Amounts Recovered (CY + PYs)	$1.465	$8.742
Cumulative Amounts Outstanding (CY + PYs)	$1.518	$0.048
Cumulative Amounts Determined Not to be Collectable (CY + PYs)	$0.178	$0.0

Notes:

1. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2010 but could have occurred in a prior year.
2. The amount subject to review for current year reporting includes $338 million in payroll expenses attributable to the *American Recovery and Reinvestment Act.*
3. For Payroll and Benefits we did not include “amounts identified for recovery in prior years” and “amounts recovered in prior years” since this is the first year we are reporting such overpayments. Therefore, all totals requiring current year plus prior year data contain current year data only.

Administrative Payments Recovery Targets

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. We strive to recover all administrative overpayments, and established 100 percent as a target as required by OMB Circular A-123, Part II B (3) Payment Recapture Targets for Audit Programs. We selected this recovery rate based on our in-house recovery rate over the past three fiscal years. We incur a small amount of administrative overpayments; mainly from former agency employees and duplicate payments to vendors. We utilize various tools for collection including offset of subsequent vendor payments and TOP, which includes AWG.

Table 21: FY 2010 Payment Recapture Audit Targets
Administrative Payments
(dollars in millions)

Type of Payment	FY 2010 Amount Identified	FY 2010 Amount Recovered	FY 2010 Recovery Rate (Amount Recovered / Amount Identified)	FY 2011 Recovery Rate Target	FY 2012 Recovery Rate Target	FY 2013 Recovery Rate Target
Payroll and Benefits	$2.983	$1.465	49.11%	100%	100%	100%
Vendor and Travel	$1.424	$1.383	97.14%	100%	100%	100%

Note:

The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2010 but could have occurred in a prior year.

Table 22: FY 2010 Aging of Outstanding Overpayments
Administrative Payments
(dollars in millions)

Type of Payment	FY 2010 Amount Outstanding (0 – 6 Months)	FY 2010 Amount Outstanding (6 Months to 1 Year)	FY 2010 Amount Outstanding (Over 1 Year)
Payroll and Benefits	$0.7521	$0.1765	$0.0
Vendor and Travel	$0.0205	$0.0274	$0.0

Note:

The payroll and benefits aging amounts do not include amounts for current employees.

Table 23: Administrative Debt Overpayments – Detections and Recoveries (dollars in millions)						
Administrative Debt Overpayments	Amount Identified FY 2011	Amount Recovered FY 2011	Amount Identified FY 2010	Amount Recovered FY 2010	Cumulative Amount Identified FY 11 + 10	Cumulative Amount Recovered FY 11 + 10
Total	$2.5	$2.3	$2.6	$1.4	$5.1	$3.7

Notes:

1. The totals include all detected and recovered overpayments for the given fiscal year.
2. Detected overpayments in a given fiscal year represent identified debt that can span multiple fiscal years.
3. This chart contains identified and recovered program overpayments. However, we do not consider every overpayment improper according to the definition contained in IPIA.

APPENDIX

GLOSSARY OF ACRONYMS

A

ACSI	American Customer Satisfaction Index
Act	Social Security Act
ADP	Automated Data Processing
AFI	Access to Financial Institutions
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ARRA	American Recovery and Reinvestment Act of 2009
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

C

CARE2020	Citizens Access Routing Enterprise through 2020
CAS	Cost Analysis System
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CMS	Centers for Medicare and Medicaid Services
COBOL	Common Business Oriented Language
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CROW	Cost Reporting ODAR Workgroup
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCIA	Debt Collection Improvement Act
DCPS	Disability Case Processing System
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DOD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
DOT	Dictionary of Occupational Titles

E

eBP	Electronic Business Process
ECO	External Collection Operation
EIC	Executive Internal Control
EMS	Environmental Management System
EO	Executive Order
ERP	Economic Recovery Payment
ESF	Earnings Suspense File
E/VG/G	Excellent, Very Good, or Good

F

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
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
FMS	Financial Management Systems
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GF	General Fund
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GSA	General Services Administration

H

health IT	Health Information Technology
HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

I

IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPIA	Improper Payments Information Act of 2002
IPP	Internet Payment Platform
IRS	Internal Revenue Service
ISM	In-Kind Support and Maintenance
IT	Information Technology

L

LAE	Limitation on Administrative Expenses

M

MADAM	Master Data Access Method
MD&A	Management’s Discussion and Analysis

N

NCAC	National Case Assistance Centers
NCC	National Computer Center
NED	Non-Entitled Debtors

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
OPM	Office of Personnel Management
OQP	Office of Quality Performance
O/P	Overpayment

P

PAR	Performance and Accountability Report
PC	Processing Center
PDB	Public Disability Benefits
PER	Preeffectuation Review
PG	Priority Goal
PI	Performance Indicator
PII	Personally Identifiable Information
POMS	Program Operations Manual System
PP&E	Property, Plant, and Equipment
PPM	Program Performance Measure
PPWY	Production Per Workyear
PTF	Payments to the Social Security Trust Funds
Pub. L. No.	Public Law Number
PY	Prior Year
P&F	Program and Financing

Q

QDD	Quick Disability Determination

R

RCA	Reports Consolidation Act of 2000
Recovery Act	American Recovery and Reinvestment Act of 2009
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSI	Retirement and Survivors Insurance
RSI	Required Supplementary Information

S

SAS	Statement of Auditing Standard
SBR	Statement of Budgetary Resources
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
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSN	Social Security Number
SSNAP	Social Security Number Application Process
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSTV	Social Security TV
Strategy	Strategy to Address Increasing Initial Disability Claim Receipts

T

TAS	Time Allocation System
TBD	To Be Determined
Tickets	Tickets to Work
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 the Treasury
TY	Tax Year

U

UDT	Unified Disability Training
USC	United States Code
U/P	Underpayment

V

VA	Veterans Affairs
VARO	Veterans Affairs Regional Office
VoIP	Voice over Internet Protocol

W

W-2s	Wage and Tax Statements
WC	Workers' Compensation
WEP	Windfall Elimination Provision
WISP	Work Incentives Simplification Pilot

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