

# Performance Goals and Results

## SSA's Strategic Goals

- *To promote valued, strong and responsive social security programs and conduct effective policy development, research, and program evaluation.*
- *To deliver customer-responsive, world-class service.*
- *To make SSA program management the best in business, with zero tolerance for fraud and abuse.*
- *To be an employer that values and invests in each employee.*
- *To strengthen public understanding of the social security programs.*

SSA's 1997 strategic plan created an improved set of five strategic goals that cut across all programs, encompass all of the Agency's administrative activities and address the universe of competing needs of the wide variety of SSA stakeholders. The performance indicators included in SSA's FY 1999 Government Performance and Results Act (GPRA) Annual Performance Report included on pages 56 through 79 provide a critical link to accomplishment of those long-term strategic goals.

The GPRA performance indicators track the performance of our programs using various traditional and new outcome measures to help us and others assess whether the Social Security programs and SSI are achieving their intended outcomes. The key performance indicators which follow were selected from the 59 traditional output, outcome and milestone performance indicators included in the GPRA Annual Performance Report (pages 56 through 79). They ensure that we continue to make progress towards the Agency's strategic objectives and are aligned under their respective strategic goals.

The milestone indicators discussed under the first goal and charts 1, 2, 3, 4, 7, and 9 provide progress against intermediate GPRA goals for long term performance objectives. Charts 5, 6, and 8 display our progress in meeting GPRA goals for traditional workload measures.

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

This goal summarizes the Agency's strategy to ensure that our programs provide a base of economic security for workers, the aged and disabled, now and in the future. Providing critical analysis, research and evaluation is integral to the Agency's role in shaping the programs so that they evolve to take account of future demographic and economic trends. The analysis, research and evaluation conducted by the Agency provides decisionmakers with information on the challenges the programs may face and the impact of options for strengthening the programs to meet the current and future needs of beneficiaries and workers.

In the FY 2000 APP, the Agency redefined the objectives under this goal to make them more outcome-oriented and so that they will concretely express the results the Agency is working to achieve. While the impact of Social Security programs on the economic well being of millions of Americans is of primary concern for the Agency, SSA does not exclusively use program outcome objectives to measure the performance of policy development, research, and program evaluation. Instead, this strategic goal uses a mix of program outcomes and performance goals that measure the extent to which critical information is available for use by decisionmakers. The mix of goals reflects the fact that the effects of policy development, research, and program evaluation are difficult to quantify and measure, since many factors affect program outcomes related to a change in policy.

The following discusses performance in meeting four milestone indicators included in the FY 1999 APP.

### **Conduct planned research and policy evaluation on preserving Social Security**

We continued development of a long-run microsimulation model for estimating the impact on various socioeconomic groups (e.g., income, marital status, gender, etc.) of major changes in the Social Security system. The model with its existing capacity was used to respond to congressional requests and to undertake preliminary analyses of major reform proposals.

External research regarding social security programs and policy proposals is stimulated through the Retirement Research Consortium. On September 29, 1998 the Agency entered into cooperative agreements with Boston College and the University of Michigan, forming SSA's first Retirement Research Consortium. Over 90 of the premier scholars in the areas of retirement income policy are affiliated with the two centers. Each center will plan and conduct a broad research program that describes and evaluates retirement policy. In addition, the centers will disseminate information, train and educate scholars and practitioners, and facilitate the use of SSA administrative data. Twenty-five projects are in progress and will be completed by the end of calendar year 1999. A joint conference was held in Washington, D.C. on May 20-21, 1999 and was attended by over 200 people. A conference volume was published and papers were also published on a website. The Boston College center started an "Issues in Brief" series and have published and distributed three briefs to a broad audience. Internet websites were developed at both centers. Each center has awarded several dissertation and postdoctoral fellowships. A seminar on Social Insurance was developed and taught at the Massachusetts Institute of Technology Monthly Graduate Colloquium on Retirement, and a 1-week course was held on stochastic modeling in Washington, D.C.. A 1-day conference was held in May at the Survey Research Center in Ann Arbor between SSA experts and researchers on issues of data facilitation.

### **Conduct the Disability Evaluation Study (DES) and other Disability Research**

The contract for the DES was awarded on December 21, 1998. Work on the instruments and procedures has progressed at a rapid rate. The OMB clearance package was submitted on

June 22, 1999 and approved in November 1999. The pilot study will begin in January 2000, and the main study will begin early in calendar year 2001. The final report is due September 2002.

The proposals were reviewed extensively by experts from outside and inside SSA. This delayed award of the contract beyond original projections. In addition, the pilot test was revised based upon recommendations from the Institute of Medicine.

Although the DES is a substantial project designed to examine the disabled population, the Agency is working to stimulate further research into issues associated with disability. A request for proposals for a Disability Research Institute was recently published in the Federal Register. This cooperative agreement would initially consist of a single center that would utilize a network of scholars from a variety of institutions. The Institute would provide research findings in critical disability policy areas, disseminate important findings, provide a mechanism for training scholars in disability research, and assist in finding methods of sharing disability administrative data with researchers.

### **Complete planned return-to-work research and analysis**

Although there was no intermediate FY 1999 milestone included in SSA's FY 1999 Annual Performance Plan for this indicator, one was later established to begin all contracts and grants and complete end of year reports. The Twelve State Partnership Initiative (SPI) cooperative agreement States completed their end-of-year reports and most have begun to enroll participants for services. Virginia Commonwealth University (VCU), which is managing data collection for the SPI, completed forms for collecting data for the evaluation and made technical assistance site visits to each project. In addition, VCU also hosted an orientation conference in December 1998 and the first annual dissemination conference in September 1999 for all Federal agency partners and SPI project teams. SSA awarded a contract to Mathematica, Inc. for a cross-site net outcome evaluation of SPI.

Another project examining issues related to return-to-work is the Work Incapacity and Reintegration Study. This is a six-nation

comparative study focusing on workers who were out of work for at least 90 days, some of whom returned to work. Medical and non-medical interventions are being assessed for those who returned to work and also for those who apply and are awarded long-term disability benefits. The study is to be published in book form in late FY 2000.

### Return-to-Work Legislation

The Agency is developing implementation strategies for the Work Incentives Improvement Act in anticipation of enactment of this bill. Similar versions of this legislation were passed in both the House and Senate. This bill supports the Agency's comprehensive strategy to increase the number of disabled beneficiaries who return to work, despite their impairment, and thereby lessen their dependence on public benefits. Key features of this legislation are expanded eligibility for health care services, the establishment of a ticket to work and self-sufficiency program that would allow consumers choice of public or private employment service providers, and authorization to conduct demonstration projects.

### GOAL: To deliver customer-responsive, world-class service

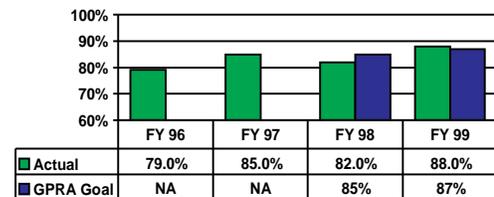
This is our traditional goal, the one that explicitly or implicitly has guided the actions of most SSA and Disability Determination Services (DDS) employees throughout our history. It reflects the millions of actions taken throughout the Agency that have made SSA "the government" to millions of individuals.

This goal is directed specifically toward the way we convey service to the people who conduct business with SSA. Through this goal we are not just focusing on our customers but being responsive to the needs and desires of our customers. Historically, SSA learns about customer needs and satisfaction through a program of focus groups and surveys.

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

As shown by the following chart, SSA is making rapid progress in our efforts to deliver World-Class Service. Not only did satisfaction with overall service rise to 88 percent in FY 1999, but 44 percent of customers gave the highest rating, very close to SSA's goal of 50 percent, rating overall service "excellent." The results for FY 1999 were taken from SSA's Annual Customer Satisfaction Survey, which will be replaced next year with interaction tracking surveys under SSA's Market Measurement Program.

### Percent of Public Rating SSA Service as "Good or Very Good"



For FY 1998 and FY 1999, data represents rating of "Excellent," "Good" or "Very Good".

Chart 1

In FY 1999, ten DDSs began preparation for implementation of the Disability Prototype process. This resulted in significant training efforts in those States that hampered productivity and led to increased initial case processing times, higher initial pendings and fewer initial dispositions.

These factors led to FY 1999 processing times for DI claims increasing 4.2 days over FY 1998, resulting in SSA falling short of meeting its FY 1999 goal of processing 53 percent of DI claims within 6 months after onset or within 60 days of filing as shown below.

### Percent of Initial DI Claims Processed Within 6 Months After Onset or Within 60 Days of Filing

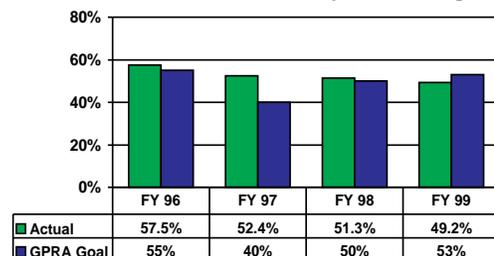


Chart 2

Additionally, SSI disability claims FY 1999 processing times increased 5.2 days over FY 1998, resulting in SSA failing to meet its FY 1999 goal of 26 percent of SSI disability claims paid or denied within 60 days of filing as shown in the following chart.

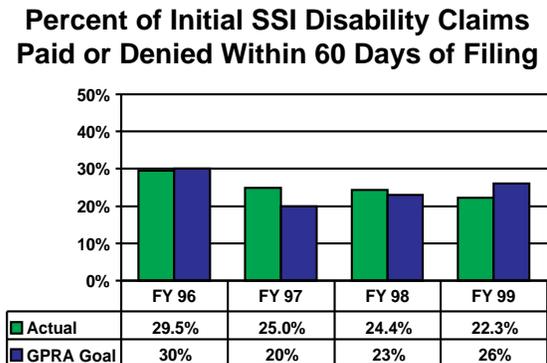


Chart 3

In an effort to improve our service to disability applicants, over the past few years, SSA has tested various process improvements to determine what changes would meet our goal of providing better customer service. After analyzing the results of these extensive tests, we are now focusing on the most promising approaches. SSA anticipates that these changes will improve the disability adjudication process by creating a decision-making process that reduces fragmentation and duplication, produces greater consistency and coordination at all adjudicative levels and takes better advantage of new technology.

By taking these steps, SSA is striving to ensure that the correct disability decision is made and that benefits are awarded as early in the process as possible. We plan to prototype a series of changes, which will improve the initial disability determination process by:

- > Providing greater decisional authority to the disability examiner and more effective use of the expertise of the medical consultant in the disability determination process;
- > Ensuring appropriate development and explanations in initial cases;
- > Increasing opportunities for claimant interaction with the decisionmaker; and
- > Simplifying the appeals process by eliminating the reconsideration step.

These changes will allow us to process as many cases with a greater degree of accuracy in a single adjudicative step as we formerly processed in two steps. Because of better quality, more claimants will get paid sooner, at the initial level, reducing the number of cases needing a hearing.

The actual percent of hearings cases decided and notices sent within 120 days was 14.2 percent for September 1999 as shown below. Prior to September, a month in which high-processing time Medicare cases constituted more than twice the usual proportion of monthly dispositions, SSA met the goal of 15 percent in May, June, July and August. We expect a downward trend in monthly processing times to continue through FY 2000.

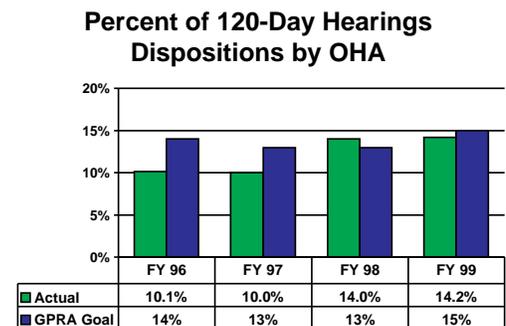


Chart 4

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

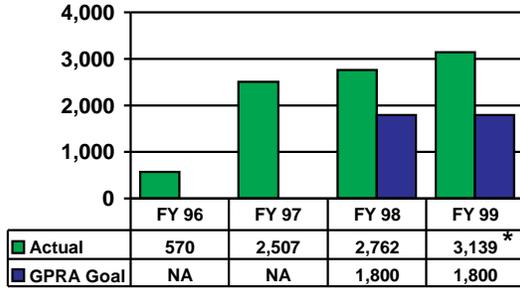
This program management goal reflects SSA's responsibility, from both a service and a business perspective, to pay benefits accurately and otherwise be a good steward of the money entrusted to our care. We are setting our standards very high to reflect our view that the public deserves the highest possible level of performance consistent with fiscal responsibility.

Our assertion of zero tolerance for fraud and abuse means that we will increase our attention on deterring fraudulent activities and on bringing to justice those who practice them, whether members of the public or of our own employee population. (See pages 11 and 53 for FY 1999 fraud prevention initiatives and activities.)

In FY 1999, as part of our fraud detection and prevention program for safeguarding SSA assets, we worked with our Office of the Inspector General, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse.

The following chart shows that SSA exceeded the goal for the number of criminal convictions related to SSA's programs.

### Number of Criminal Convictions



\* Includes 593 Illegal Alien Apprehensions and 1,586 Fugitive Felons

Chart 5

An increase in the number of investigations opened can be attributed to the increase in OIG Hotline staff in FY 1999 from 12 telephone operators to over 50. Throughout the year, as the new operators became proficient in handling allegations, the number of cases opened continued to grow in numbers well above what was initially anticipated.

OIG's efforts in attacking fraud within the SSI program, which had been identified by the General Accounting Office as a high-risk program, resulted in the reporting of large sum monetary achievements. Two investigative projects that results in huge savings for SSA were the Cooperative Disability Investigations teams and SSI eligibility fraud projects..

In the program management and stewardship area, SSA conducts periodic reviews, called continuing disability reviews (CDRs), to determine whether individuals receiving disability benefits have medically improved so that they are no longer considered disabled and no longer eligible for benefits.

The CDR process allows SSA to ensure the integrity of payments to individuals in the DI and SSI programs by monitoring the disability status of beneficiaries. As shown in the following chart, during FY 1999, SSA was able to perform 1,703,414 periodic reviews and 18,752 medical reviews related to work issues. SSA expects to perform 1.8 million CDRs in FY 2000.

### Periodic CDRs Processed

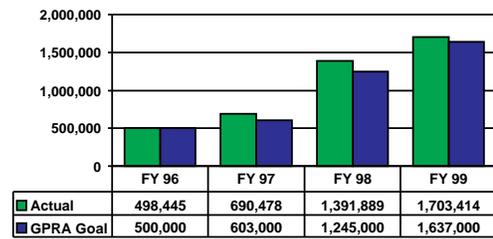


Chart 6

SSA has developed a 7-year plan for conducting CDRs and expects to conduct approximately 5.8 and 3.6 million CDRs for DI (including DI/SSI concurrent) and SSI beneficiaries, respectively, over the life of the plan.

Program savings for the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs in FY 1996 through 2002 resulting from CDRs processed in those years will be approximately \$7.7 billion. This includes an estimated program savings of \$3.8 billion for OASDI and \$3.9 billion for SSI. The CDR backlog will be eliminated by the end of FY 2000 for the DI program and by the end of FY 2002 for the SSI program.

During the 1990's SSA focused on expanding its use of aggressive debt collection tools. As a result of its efforts, the Agency has had many noteworthy successes. The Tax Refund Offset (TRO) program which SSA implemented in 1992 has yielded almost \$250 million in debt collections since its inception.

The Treasury Offset Program (TOP) which began in 1998 assimilated the former TRO program and added the capability of using administrative offset, or collection of a debt from a Federal payment other than a tax refund collection. In FY 1999, SSA collected over \$51.1 million in delinquent debt via TOP.

Although SSA did not implement any new debt collection provisions this FY, as shown in the following chart, we were able to surpass our FY 1999 goal of \$1.2 billion. This is a result of the Agency focus on aggressively pursuing delinquent debtors using all available debt collection tools. See pages 54 and 55 for additional debt management data.

## OASDI Overpayment Dollars Collected

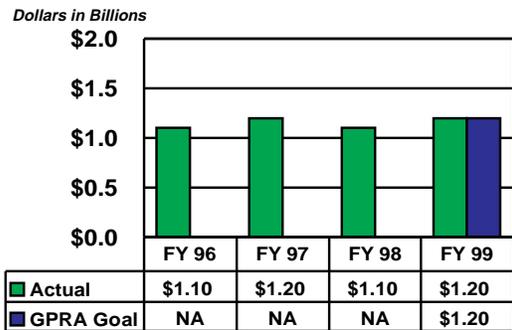


Chart 7

SSA continued its efforts to improve accuracy and processing times for both wages and self-employment income. Although SSA was able to post 249.9 million annual earnings items to individuals' records during FY 1999, as shown below, we fell short of meeting the FY 1999 goal of posting 98 percent of earnings to individuals' records by September 30. SSA plans to pursue a number of initiatives to help ensure that it meets the goal in the future.

## Percent of Earnings Posted to Individuals' Records by September 30

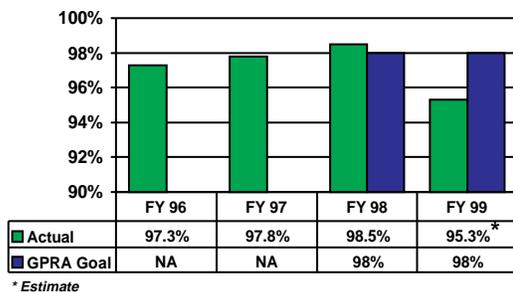


Chart 8

The performance goal is based upon an estimate of the total earnings items to be posted for tax year (TY) 1998. Based on historical experience, the final number of earnings items posted for TY 1998 will likely be lower than the current estimate. Also, the number of earnings items to be posted are affected by various factors over which SSA has no control such as the quality of data received from submitters. This indicator does not include earnings from self-employment reported to SSA by the Internal Revenue Service.

SSA continues to work with the Departments of Treasury and Labor to reduce the tax and wage reporting burden on employers while improving the effectiveness of each Agency's operations. The objective is to simplify laws and procedures, provide enhanced assistance and services to

employers for easier filing and enable employers to electronically file a single return that can be used by SSA, IRS and State tax and unemployment insurance agencies. SSA is working to increase the number of annual wage reports filed electronically. Reports filed electronically tend to be more accurate and can be processed more efficiently and cost effectively than paper or magnetic media reports.

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

SSA's greatest strength lies in the attitudes, skills, and drive of its employees. This goal recognizes that the employees of SSA and the DDSs are key to achieving our goals and objectives. It also reflects SSA's conviction that employees deserve a professional environment in which their dedication to the SSA mission and to their own goals can flourish together.

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

The Intelligent Workstation/Local Area Network (IWS/LAN) is the linchpin for both SSA's customer service program and its entire business approach. It facilitates many of the planned productivity improvements and enables full reengineering of the disability process including processing time reductions and other improvements projected in the redesign.

The original FY 1999 commitment assumed that 100 percent of front-line employees would have access to IWS/LAN by the end of FY 1999. Installation of workstations from the National Buy (Phase 1) was completed in July 1999 and workstation installations ceased at that time. However, due to technical obsolescence of some workstations installed at the start of the project, completion of the national rollout to all front-line employees has been delayed until FY 2000 pending installation of workstations from a follow-on contract needed to complete the project. As shown in the following chart, SSA has completed 93 percent of the IWS/LAN installation to front-line employees. The 100 percent target will be achieved in FY 2000.

### Percent of Front-Line Employees with IWS Connected to LAN

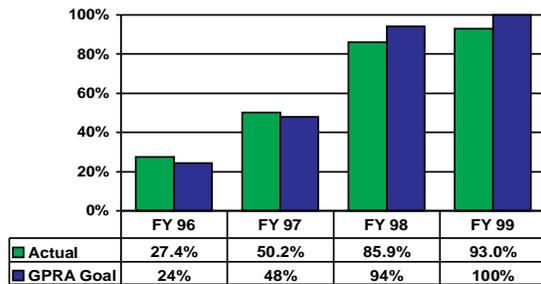


Chart 9

**GOAL:** *To strengthen public understanding of the social security programs*

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

SSA publishes about 70 pamphlets, newsletters, booklets and other informational materials about its programs, policies and procedures so that the public can be fully informed about its Social Security programs. SSA also produces information in audio, video and electronic media. SSA also produces about 20 administrative publications, many of which are included as stuffers with notices sent to Social Security beneficiaries. Most of these

publications are also available instantly to the public on SSA's website.

As a service to the public, SSA provides earnings histories and estimates of benefit amounts upon request. Starting in FY 1995, under legislative mandate, SSA began sending Social Security Statements (formerly called Personal Earnings and Benefit Estimate Statements) to more segments of the working population. Current law requires SSA to issue one-time Social Security Statements to approximately 15 million individuals who turn age 60 during FYs 1996-1999. In FY 1999, SSA met its goal of issuing 100 percent of Social Security Statements as required by law.

Social Security Statements serve as a useful in financial planning tool by providing estimated future benefits and a display of the recipient's earnings record.

In FY 1999, SSA implemented its Public Understanding Measurement System (PUMS) survey process designed to measure the public's actual knowledge of Social Security programs. Based on this initial survey, designed and conducted for SSA by the Gallup Organization, SSA determined that 55 percent of the public (adults age 18 and over) are currently knowledgeable about Social Security programs. This measure will replace the prior measure "percent of the public perceiving they are "well" or "very well" informed about Social Security," which was based on survey data from the American Council of Life Insurance.

The PUMS survey indicated that persons who received a Social Security Statement have a significantly greater knowledge level about Social Security than those who did not. The annual PUMS survey will help track customer satisfaction with the clarity of the Statement and its impact on raising public knowledge of Social Security programs.

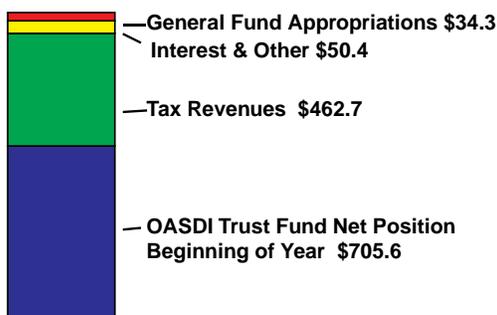
# Highlights of SSA's Financial Position

## Overview of Financial Data

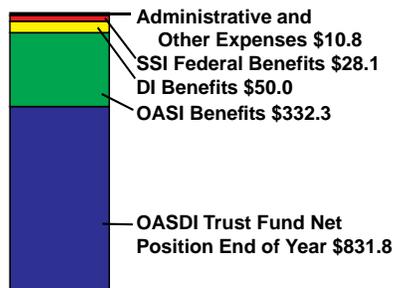
SSA's financial statements and footnotes, appearing on pages 29 through 41, received an unqualified audit opinion for the sixth consecutive year. The balance sheet displayed on page 30 reflects total assets of \$875.1 billion, a 17 percent increase over the previous year. This increase is attributable to the steady growth of the OASDI Trust Fund reserves which were invested to generate \$53.7 billion of interest income, an increase of almost \$6 billion compared to FY 1998. Of these \$875.1 billion in assets, almost 98 percent are investments. These investments are commonly known as the Social Security trust funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The majority of our liabilities, almost 83 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 3.

The charts below summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds that SSA was provided in FY 1999 and how these funds were used. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Less than 1.26 percent of the resources available to SSA are used to pay administrative expenses.

### Where It Comes From...



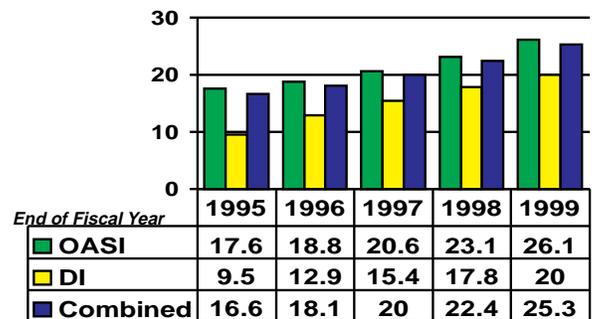
### ...Where It Goes



Dollars in Billions

The Social Security trust funds are deemed to be adequately financed on a pay-as-you-go basis if the asset level at the end of a fiscal year is sufficient to cover at least 1 year's worth of benefit payments in the absence of other income such as payroll taxes. The following table shows that the number of months of benefits that combined yearend OASDI assets can pay has grown from 16 months at the end of FY 1995 to 25 months at the end of FY 1999, a 56 percent increase.

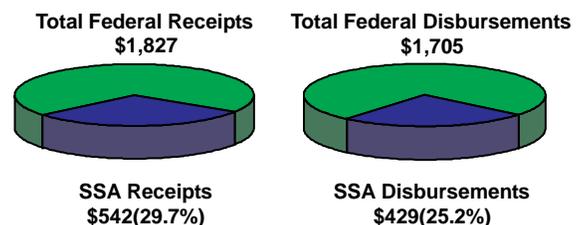
### Number of Months of Benefits Yearend Assets Can Pay



### SSA's Share of Federal Operations

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the following chart. Our programs accounted for 25.2 percent of the \$1.7 trillion FY 1999 Federal disbursements and 29.7 percent of the \$1.8 trillion Federal receipts. In fact, our disbursements accounted for 4.8 percent of the nation's estimated FY 1999 \$8.8 trillion total gross domestic product.

### SSA's Share of Federal Receipts and Disbursements FY 1999

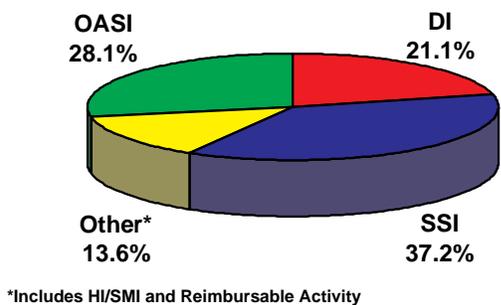


(Dollars in Billions)

## Use of Administrative Resources

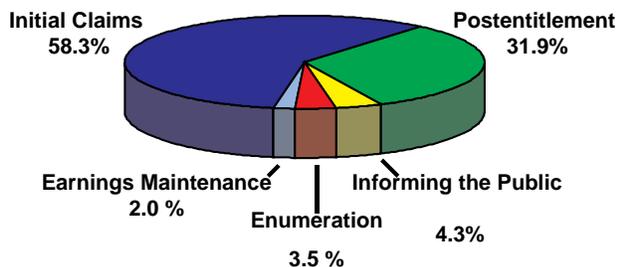
The chart below displays the use of administrative resources in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise less than 20 percent of the total benefit payments made by SSA, they consume nearly 59 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefit.

### Use of Administrative Resources by Program



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

### Use of Administrative Resources by Core Business processes

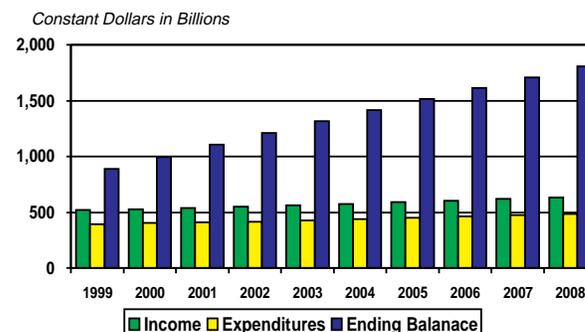


## Short Term Impact on SSA's Financial Position

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of assets meet or exceed outlay estimates in each year of the next decade. Estimates in the 1999 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years, having sufficient assets to pay full benefits until 2036 and 2020, respectively. The table below shows that while combined OASDI expenditures and income are expected to increase by 23 and 22 percent, respectively, over the ten-year period, Trust Fund assets are expected to grow by 104 percent.

Pages 7 and 8 provide a discussion of the long term solvency of the OASDI Trust Fund. Pages 49 through 51 discuss additional prospective information related to the adequacy of the trust fund assets, future contributions and expenditures.

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



## Limitation on Financial Statements

The financial statements beginning on page 29 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements 31 U.S.C. 3515(b); (2).

While the statements have been prepared from the books and records of SSA in accordance with formats prescribed by OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities can not be liquidated without legislation that provides resources to do so.

# Systems and Controls

## **FMFIA Assurance Statement Fiscal Year 1999**

*On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal controls are in compliance with the internal control objectives in OMB's Bulletin Number 98-08, as amended. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.*



*Commissioner of Social Security*

The Social Security Administration (SSA) has an agencywide management control and financial management systems review program as required by the Federal Managers' Financial Integrity Act (FMFIA). The Agency accomplishes the objectives of the program by integrating management controls in its business processes and financial systems at all organizational levels. The Agency's Executive Internal Control Committee provides executive oversight of the program and addresses management control issues that have a substantial impact upon the Agency mission. The committee also meets periodically to review the status of actions to correct weaknesses.

Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business processes are functioning as intended. The reviews also ensure that management

controls and financial management systems comply with the standards established by FMFIA, Federal Financial Management Improvement Act, Paperwork Reduction Act, Computer Security Act and Office of Management and Budget (OMB) Circulars A-123, A-127 and A-130. The reviews include evaluation of business processes such as enumeration, earnings, claims, postentitlement events, debt management and SSA's financial management systems.

SSA develops and implements corrective action plans for weaknesses found through its management control reviews and financial management systems reviews and tracks the corrective actions until the weaknesses are corrected. Regional Security Office staffs monitor the status of corrective actions resulting from management control reviews of field activities and the Office of Finance, Assessment and Management monitors the status of corrective actions resulting from financial management systems reviews. The status of corrective actions is periodically updated and reported to SSA executives as appropriate.

### **Management Control Reviews**

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each FY. The FOs are selected for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 1999, SSA's managers and contractors conducted reviews of 1,437 management control areas in 183 FOs and staff components.

SSA contracted with an independent public accounting firm to review the Agency's management control program using generally accepted audit standards to evaluate the effectiveness of the Agency management control program and to make recommendations for improvement. During the first year, the contractor reviewed operations at the central office, processing centers, 5 Regional Offices (RO) and 40 FOs. In June 1999, the contractor issued a report stating that the aspects of the management control program tested appear to be effective in meeting management's expectations for compliance with Federal requirements. The report disclosed no significant weaknesses indicating noncompliance with laws and regulations. During the second year of the contract, the contractor will visit the disability processing center, the remaining 5 ROs and 30 FOs.

## **Financial Management Systems Reviews**

The Agency prepares and annually updates a 5-year review plan for its financial management systems. Within a 5-year period, both the SSA system manager and a contractor review each financial management system. The system manager conducts a limited review and the contractor conducts a detailed review, including transaction testing, of the system. During FY 1999, the SSA system manager conducted a limited review of the Cost Accounting System and the contractor conducted a detailed review of the Modernized Claims System. Beginning in July 1998, the contractor was required to adhere to audit standards. This enables the Office of the Inspector General (OIG) and the contractor who audits SSA's financial statements to use the review results more extensively.

## **Audit of Financial Statements**

For the last 3 years, OIG contracted for the audit of SSA's financial statements. Each year the auditor found that the principal financial statements were fairly stated in all material respects. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects. However the auditor, using OMB's audit standards, identified reportable conditions involving internal controls.

In the audit report for the FY 1997 financial statements and internal controls, the auditor identified five reportable conditions. In the audit report for FY 1998, the auditor removed two of the five reportable conditions from the previous year. In the audit report for FY 1999, the auditor did not identify any new reportable conditions and removed the reportable condition for segregation of duties from the FY 1998 audit report. The auditor also reported noteworthy progress toward correcting the two remaining conditions previously reported in FY 1998. The FY 1999 report concluded that SSA continued to show significant progress in correcting the weaknesses identified in the audit reports.

SSA closed or completed corrective actions on the majority of the auditor's recommendations made in the FY 1997 audit report and addressed almost half of the FY 1998 recommendations. SSA continues to work on the remainder. SSA is also developing corrective action plans for the findings and recommendations in the FY 1999 audit report. A synopsis of the current status on the reportable conditions in the FY 1998 and FY 1999 reports follows:

**Finding 1. SSA Needs to Further Strengthen Controls to Protect Its Information:** In the audit report for FY 1998, the contractor noted that SSA made significant progress in strengthening controls to protect its information in the automated mainframe environment and recommended additional attention to the distributive environment. SSA completely or partially addressed 15 of the 26 recommendations in this finding and continues work on the remainder.

In the audit report for FY 1999, the auditor stated that SSA continued to make "notable" progress in addressing the information protection issues raised in prior years, but the information control structure needs improvement. Since many of the recommendations in the FY 1999 report are variations of recommendations in the auditor's previous audit reports, SSA has been addressing those issues on an ongoing basis and will continue to work on them until completed.

**Finding 2. SSA Needs to Complete and Fully Test Its Plan for Maintaining Continuity of Operations:** The auditor recommended that SSA complete a business impact analysis and use the results to validate all critical workloads; finalize and test the draft cold site implementation plan; expedite the current schedule for successful testing of all critical workloads; and, continue to periodically test all contingency planning procedures and update the associated documentation. In the audit report for FY 1998, the auditor stated that SSA had shown "noteworthy" progress in this area and recognized SSA's plans to improve its plans for continuity of operations.

Since then, the Agency completed a new business impact analysis that included identification and validation of the critical workloads; decided to eliminate plans for converting to a cold site after a period and to extend the time at the hot site instead; and, successfully tested all of its critical systems over the last 3 years. As a result, the contractor stated in its audit report for FY 1999, SSA made "notable" progress during the past year in implementing improvements recommended in previous audits. The auditor stated that SSA remains focused on the systems aspect of contingency planning, but also needs to ensure it addresses contingency planning for operations as well as systems. SSA will continue to work on improving the systems support to our contingency plans and give emphasis to ensuring that the operations aspect is addressed.

**Finding 3. SSA Can Improve Controls Over Separation of Duties:** In the FY 1998 audit report, the auditor reported inadequate separation of duties in field offices, systems operations and security administration. SSA generally agreed that improvements could be made in the areas of systems operations and security administration and addressed most of those recommendations. The auditors emphasized the use of performance measures to identify high-risk transactions in the field offices for analysis and recommended, when warranted, additional preventive controls. Working with the auditors, SSA identified existing and potential controls for several high-risk transactions and continues to improve controls in those areas.

In the FY 1999 audit report, the contractor removed this finding as a reportable condition. SSA had demonstrated sufficient progress in improving the controls involving separation of duties to justify its removal. Although it is no longer considered a reportable condition, SSA will continue to correct weaknesses previously identified until all are completed.

**FMFIA Material Weakness**

During FY 1999, SSA did not declare any new material weaknesses under FMFIA. SSA made good progress in its efforts to correct the one remaining FMFIA material weakness relating to the accuracy of the accounting records for Supplemental Security Income for the Aged, Blind, and Disabled (title XVI of the Social Security Act) overpayments and underpayments. SSA expects to complete its corrective actions for this weakness by September 30, 2000. During FY 1999, to help ensure that outstanding debts are pursued for recovery, the Agency implemented a process to automatically transfer existing debts on closed records to new Supplemental Security records. SSA also continued efforts to develop a new accounting system to account for and report debt detection and clearances. This accounting system will include new data input screens and transaction-based processing.

