

Social Security



**Accountability Report
For Fiscal Year 1999**



Foreword

We are proud to issue our fourth Accountability Report covering FY 1999 performance. The Accountability Report, authorized by the Office of Management and Budget, consolidates the mandatory reporting requirements of the Chief Financial Officers Act, Government Performance and Results Act (GPRA), Debt Collection Act and the Federal Managers' Financial Integrity Act. Also included are the Inspector General's Report to Congress and the Social Security Administration's (SSA) Management Report on Final Action to Office of Inspector General (OIG) recommendations. In addition, we have incorporated the reporting requirements of Section 206(g) of the Social Security Independence and Program Improvement Act.

SSA's first Annual Performance Report for FY 1999 required by GPRA is presented on pages 56 through 79. It contains actual performance achieved in FY 1999 compared with the performance targets set forth in SSA's Annual Performance Plan for FY 1999.

The program and financial performance information presented in this report covers all the programs administered by SSA. The Management Discussion and Analysis provides retrospective, as well as prospective, information that is relevant to SSA and its stakeholders. A number of key issues that will impact our future operations such as program solvency and Year 2000 computer readiness are discussed in the "Major Issues Facing SSA" section. The Management Discussion and Analysis also includes the "Performance Goals and Results" section that discusses the Agency's five strategic goals and key performance measures used to gauge our success in meeting these strategic goals. This section graphically presents trend data for key GPRA performance indicators and a discussion of the Agency's progress in meeting FY 1999 performance targets.

Following the Management Discussion and Analysis section are the Agency's audited financial statements and footnotes that received an unqualified opinion from the independent accounting firm of PricewaterhouseCoopers. Next, additional program and financial information is discussed. The report concludes with the auditor's opinion on SSA's financial statements, report on SSA's assertion on internal controls, report on SSA's compliance with laws and regulations and the OIG's Report to the Congress.

SSA's Accountability Report and other information about the Social Security programs are available through the Internet on SSA's home page at <http://www.ssa.gov>. The SSA home page is updated on an ongoing basis with current information relating to the Social Security programs and our administration of those programs.



SOCIAL SECURITY

A Message From the Commissioner

I am pleased to present the Social Security Administration's (SSA) Accountability Report for fiscal year (FY) 1999. The report provides a complete picture of SSA's FY 1999 performance and discusses programmatic, financial and management issues in order to assess accountability in meeting our mission. The report also includes SSA's first Annual Performance Report required by the Government Performance and Results Act (GPR). The GPR Performance Report demonstrates SSA's progress in meeting FY 1999 targets for performance indicators set forth in the Agency's FY 1999 Annual Performance Plan.

During FY 1999, SSA continued to make great strides in addressing the priorities I established as Commissioner: educating the public on the long-term solvency of the Social Security program; assuring program integrity; providing responsive service to the public; improving the administration of our Disability and Supplemental Security Income programs; and strengthening our long-range planning and our policy making processes. We also continue to develop innovative ways to educate the American public about the value of the Social Security program and its role in personal financial planning. While we are proud of our current accomplishments, and although we have initiatives in place to further improve our performance, the Agency is experiencing significant stresses due to increasing demands for services in a period of constrained resources. The aging of America will place even greater strains on our ability to deliver the quality of service that Americans have come to expect from our Agency. These are critical future challenges.



I am pleased to report that this is the sixth consecutive year SSA's financial statements have received an unqualified opinion. Furthermore, the auditors found that management's assertion on SSA's compliance with the Office of Management and Budget's accounting and internal control objectives is fairly stated in all material respects. In addition, one of the reportable conditions from FY 1998 is no longer identified as a reportable condition in FY 1999 and the auditors also observed that noteworthy progress was made in addressing the remaining ones. While improvements have been made in the internal control area, we recognize that more needs to be done and are committed to strengthening these remaining areas as soon as possible.

Earlier this year, SSA was awarded the highest marks among Federal agencies surveyed in one of the most comprehensive studies of government management ever conducted. The Maxwell School of Citizenship and Public Affairs at Syracuse University and *Government Executive* magazine graded all 50 State governments and 15 Federal agencies on the management systems critical to effective public service. SSA was awarded an overall "A" grade on the study, which evaluated the five critical areas of financial management, human resources management, information technology management, capital management and managing for results. More recently, SSA was one of only two Federal agencies to receive the Association of Government Accountants' Certificate of Excellence in Accountability Reporting Award for its Accountability Report for FY 1998.

As we look ahead to the next century, we will continue to do all that we can to meet the challenges facing us so that we can continue to provide the best quality service to the American public, and ultimately to further strengthen public trust in Social Security.

Kenneth S. Apfel
Commissioner
of Social Security



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CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

Presented to

*Social Security
Administration*

**For its Annual Accountability Report
for the Fiscal Year Ended
September 30, 1998**

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

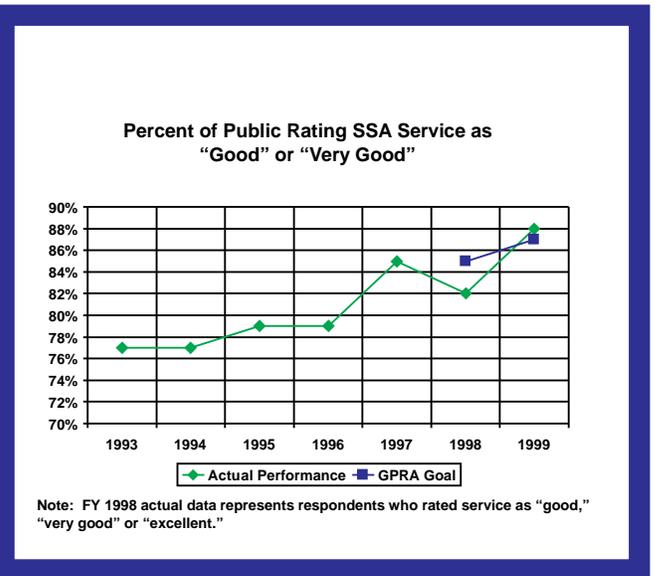
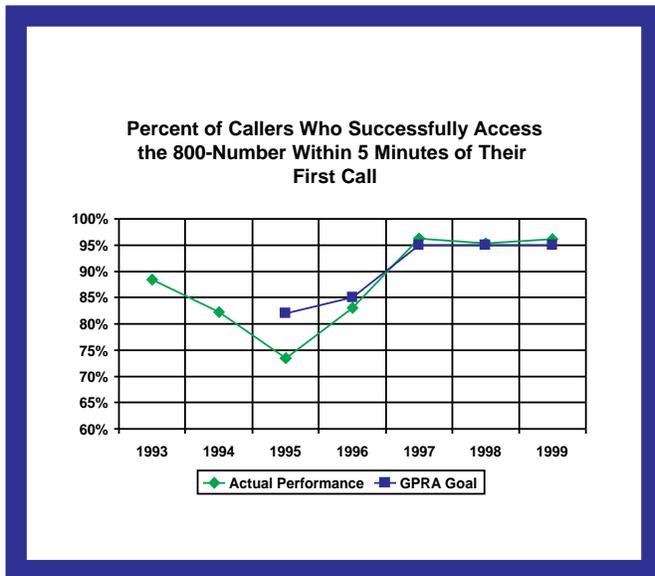
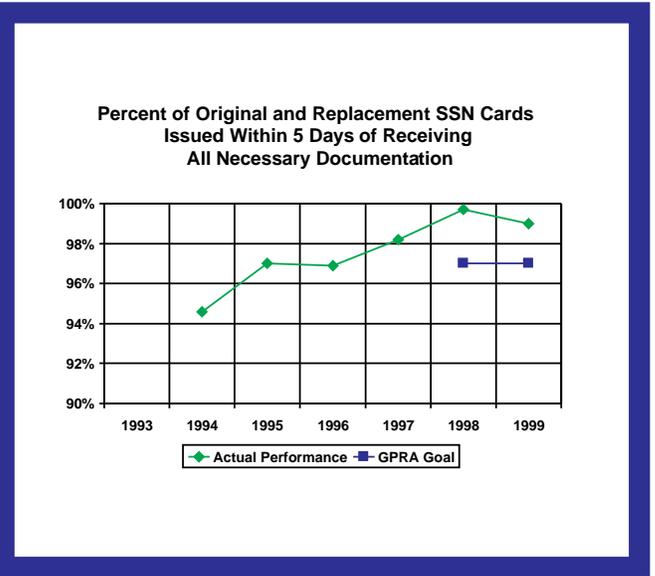
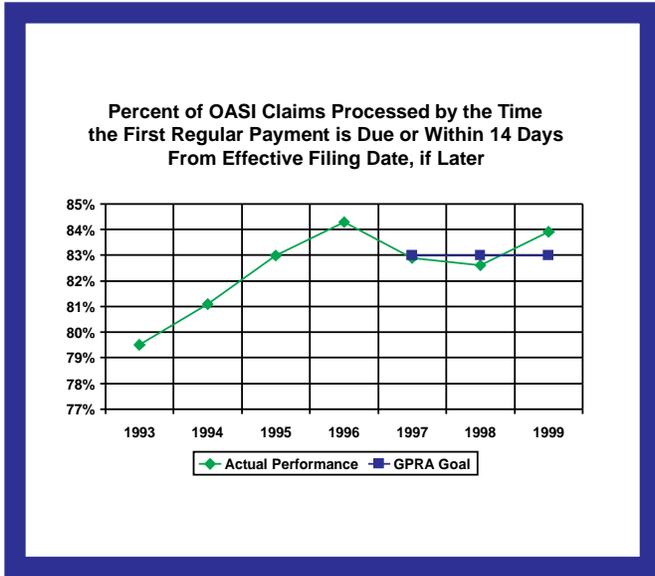


Chair, Certificate of Excellence
in Accountability Reporting Board

Executive Director

Selected GPR A Indicators

The charts below show trend data for selected indicators from SSA's FY 1999 GPR A Annual Performance Report. Key GPR A indicators are highlighted in the Performance Goals and Results section of Management Discussion and Analysis section beginning on page 15. The full GPR A Performance Report begins on page 56.





1994	1995	1996	1997	1998	1999
\$419.5 450.1	\$483.2 499.1	\$549.5 565.9	\$631.0 648.6	\$730.3 748.4	\$854.9 875.1
\$340.8 30.1 407.9	\$356.2 34.2 427.4	\$381.2 37.6 449.5	\$405.3 42.5 477.4	\$432.0 48.0 510.9	\$462.7 53.7 548.2
\$276.3 36.8 24.2 5.4	\$288.6 40.2 24.5 5.7	\$300.0 43.2 24.3 5.6	\$312.9 45.4 26.5 6.2	\$324.3 47.7 27.4 6.7	\$332.4 50.4 28.1 6.9
8.0%	7.8%	7.6%	7.5%	7.2%	NA
2.13% 1.6% 2.1%	2.17% 1.6% 5.2%	2.19% 1.7% 2.3%	2.23% 1.6% 2.2%	2.19% 1.7% 7.4%	2.07% 1.7% 1.4%
37.2 5.5 6.2	37.5 5.8 6.5	37.6 6.0 6.6	37.8 6.1 6.6	37.9 6.3 6.6	38.0 6.5 6.6
\$12.83 .62 5.03 422.45	\$12.67 .58 1.82 393.40	\$13.81 .49 2.17 389.77	\$14.92 .42 1.85 402.68	\$14.17 .36 .90 371.51	\$13.89 .29 .65 371.12
16.50 692.33 .13	16.68 715.86 .13	17.32 763.77 .12	17.64 781.77 .09	19.85 793.69 .11	22.79 813.37 .11

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide a high level overview of the Agency. It provides a description of who we are, what we do and how well we meet the goals we have set.

The Mission and Organizational Structure section highlights the Agency's mission as refreshed in our 1997 Strategic Plan. This section also discusses the major programs we administer; the Old Age and Survivors Insurance (OASI) and the Disability Insurance (DI) programs (commonly known as Social Security) as well as the Supplemental Security Income (SSI) program.

Following the Mission and Organizational Structure section is a discussion of the Major Issues that SSA will be facing in the future. We use the Accountability Report to provide a snapshot of the performance we were able to achieve in FY 1999. However, the status of SSA would not be complete without providing a sense of the challenges tomorrow brings. These challenges include long-term solvency of the Social Security program and fulfilling our commitment to world-class service as well as topics that have a more immediate impact on our operations such as year 2000 computer readiness, SSI and DI management improvement and fraud prevention and detection. While these issues are challenging, we believe we have the policies and plans in place to help ensure they are adequately addressed.

Next, the MD&A discusses SSA's ability to achieve the five strategic goals contained in our current strategic plan. In February 1998, we provided Congress with our FY 1999 Annual Performance Plan (APP) outlining the performance indicators we used to assess our ability to meet these five strategic goals. The Performance Goals and Results section displays selected indicators from the APP, targeted performance for FY 1999 and actual performance achieved. Our complete FY 1999 GPR Annual Performance Report can be found beginning on page 56.

In addition to discussing program performance, the MD&A also addresses our financial performance. The major sources and uses of SSA's funds as well as the use of these resources in terms of both program and function are explained. Finally, the Systems and Controls section of the MD&A provides the Commissioner's Federal Managers' Financial Integrity Act (FMFIA) assurance statement, the actions SSA has taken to address our management control responsibilities and a discussion of the Agency's FMFIA material weakness and plan to correct this weakness.

Mission and Organizational Structure

SSA's Mission

To promote the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

The Social Security Programs

The Social Security Act established a program to help protect aged Americans against the loss of income due to retirement. Protection for survivors of deceased retirees was added by the 1939 amendments, thus creating the OASI program. Social Security protection for workers was expanded again in 1956 to include the DI program. SSA's responsibilities were further expanded in 1969 and 1972 to include the Black Lung (BL) program (Part B) and the SSI program, respectively. SSA's responsibilities in 1999 focused on administration of these four programs that deliver cash benefits to about 50 million beneficiaries every month.

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

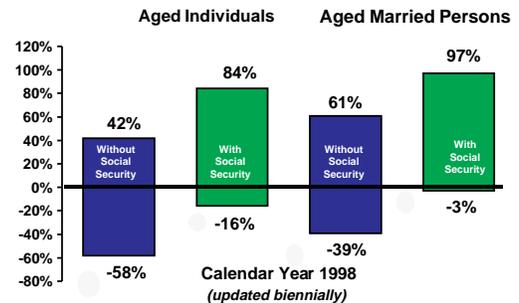
Social Security benefits have significantly improved the economic well being of the nation. Poverty among the elderly has been reduced by 58 percent over the past 30 years. In 1936, when Social Security numbers were first assigned to workers, most of the nation's elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of elderly Americans and millions more who are protected in case of death or disability.

The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 1998 was \$68,400 and increased to \$72,600 in 1999.

OASI Program - In 1998, the family income of 16 percent of aged, unmarried beneficiaries fell below the poverty line. Without Social Security benefits, 58 percent of those beneficiaries would have income below the poverty line—a difference of 42 percent due to receipt of Social Security. Social Security also lifted many aged married beneficiaries out of poverty.

In 1998, 3 percent of aged beneficiaries who were members of a married couple had income below the poverty line. Without Social Security benefits, 39 percent of these beneficiaries would have income below the poverty line— a difference of 36 percent.

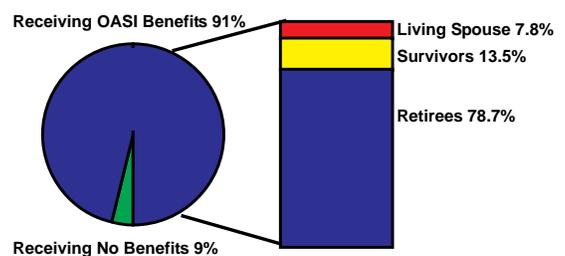
Aged Beneficiary Population with Family Income Above and Below the Poverty Line



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

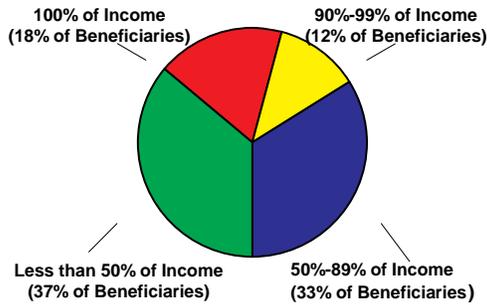
Ninety-one percent of people age 65 or over in calendar year 1999 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 98 percent of children under 18 and spouses with children in their care under 16 can count on benefits if a working parent dies.

Population 65 or Over Receiving OASI Benefits (1999)



Social Security benefits comprised 38 percent of the aggregate share of all income to the aged population 65 and over of which 91 percent were Social Security beneficiaries. Other sources of income include assets (20 percent), earnings (21 percent), and pensions (19 percent) both Government and private.

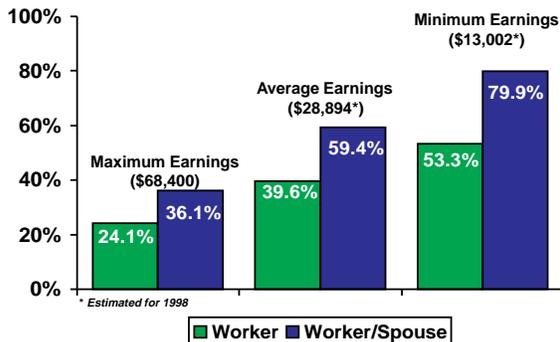
Portion of Beneficiaries That Rely Heavily On Social Security (Calendar Year 1998)



While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For 18 percent of beneficiaries, it is the only income; for 12 percent of the population, it contributes almost all of the income; and for another 33 percent of the beneficiaries, it is the major income source.

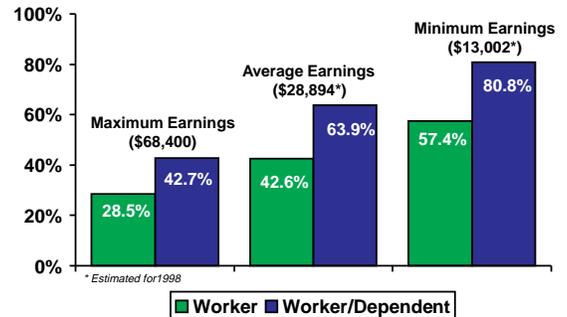
The level of preretirement earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted to give more credit to workers with low levels of earnings. The chart below shows the replacement rate in 1999 for individuals and couples at various earnings levels (1998 earnings levels are shown since that is the assumed last year of earnings).

Pre-Retirement Earnings Replaced (Workers Age 65 Entitled in January 1999)



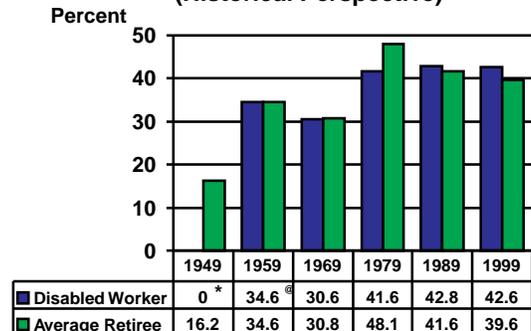
DI Program - To qualify for DI benefits, an individual must meet a test of substantial recent covered work. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. Three of four working Americans age 21 through 64 can count on receiving benefits if they become disabled. Workers are considered disabled if they have severe physical or mental conditions that prevent them from engaging in substantial gainful activity. The condition must be expected to last for a continuous period of at least 12 months or to result in death. Once benefits begin, they continue for as long as the worker is disabled and does not perform substantial gainful work. There are provisions that provide incentives for work. Disability cases are reviewed periodically to determine if the worker continues to be disabled. The chart below shows the replacement rate in 1999 for disabled workers and their dependents at various earnings levels (1998 earnings levels are shown since that is the assumed last full year of earnings).

Disabled Worker's Earnings Replaced (Workers Age 45 Entitled in Calendar Year 1999)



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

Earnings Replaced (Historical Perspective)



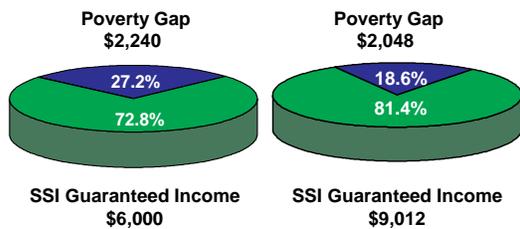
* Data not available for disability benefit payments which began in 1957
 @ Based on 50-year old disabled worker.
 Prior to 1960, DI program applied only to workers age 50 and older.

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

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

As shown in the chart below, SSI recipients with no other income receive the full SSI Federal benefit which is 72.8 percent of the poverty level for an individual and 82.1 percent for a couple.

February 1999 Poverty Income Guidelines
*Poverty Gap Filled
 By SSI Federal Benefit*

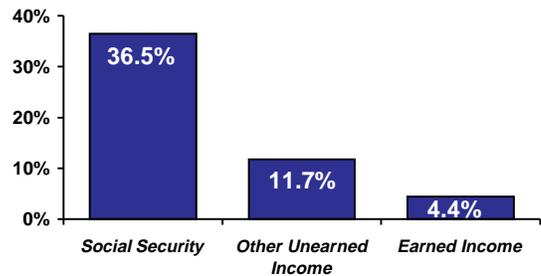


*Guidelines:
 Individual \$8,240 Per Year Couple \$11,060 Per Year*

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

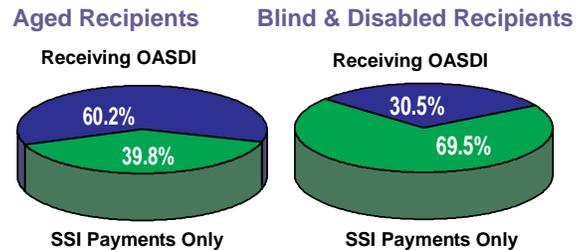
In September 1999, as shown by the following chart, 36.5 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.5 percent of the recipients, earnings were a source of additional income, and 11.7 percent had unearned income from other sources, such as Veterans' pensions.

**Percent of SSI Recipients With
 Income From Other Sources
 (September 1999)**



OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 36.5 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (60.2 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.5 percent).

**SSI Recipients Also Receiving
 OASDI Benefits
 (September 1999)**



Support to Other Programs

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

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

these dates generally are the responsibility of the Department of Labor (DOL) covered under Part C of the program.

SSA is also responsible for taking claims for, and performing certain other services related to, Part C benefits. In FY 1999, SSA field offices took 208 claims for Part C benefits and transferred them to DOL for payment, as required by law. SSA received full reimbursement from DOL for these services. Beginning in FY 1998, DOL certified for payment all Part B benefits from funds appropriated to SSA. However, SSA retains responsibility for these payments.

Medicare - - Being a primary public contact point for the Health Care Financing Administration (HCFA), SSA provides key services to the Medicare program. SSA staff determine and answer questions regarding Medicare eligibility, maintain the computerized records of Medicare eligibility, and collect Medicare premiums through withholdings from Social Security payments. Annually, SSA devotes about 1,545 workyears to supporting these workloads and is reimbursed by the Medicare trust fund for these services.

Medicaid - - In 31 States and the District of Columbia, eligibility for SSI benefits confers automatic entitlement to Medicaid. Thus, the SSI eligibility determination made by SSA saves a significant amount of workyears for these States. SSA also provides information and referral services in support of Medicaid and is directly funded by the States and HCFA.

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

Food Stamps - - SSA assists the Department of Agriculture by providing information about the food stamp program and taking food stamp applications for qualified OASI, DI and SSI claimants. In FY 1999, SSA processed 23,354 food stamp applications and recertifications.

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

Agency Organization

SSA's organization features centralized management of the national Social Security programs and a decentralized nationwide network of 10 regional offices overseeing 7 processing centers, 1,343 field offices (includes 54 resident stations), 1 data operations center, 36 teleservice centers and 132 hearings offices.

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

Columbia, Guam and Puerto Rico. SSA's unique organizational structure is designed to provide responsive, swift and accurate world-class service to the public.

To meet the needs of non-English-speaking customers, SSA recruits bilingual individuals to serve as a public contact for customers visiting SSA field offices and calling SSA's 800-number telephone service. During FY 1999, 19 percent of public contact employee new hires were bilingual. At year end, SSA had bilingual public contact employees who could provide service in English and at least one of 23 other languages.

SSA's Service Delivery Network



249.9 Million Earnings Reports Posted



16.3 Million SSN Cards Issued



6 Million Claims Processed



58.8 Million 800 Number Calls Handled

Major Issues Facing SSA

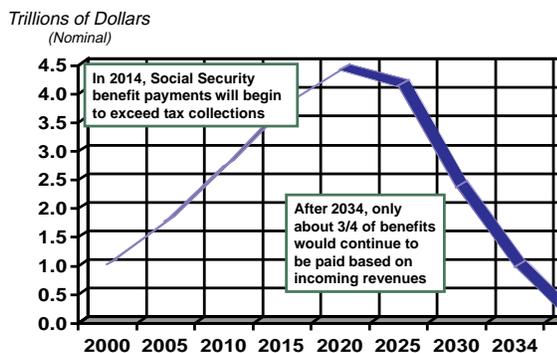
The major goal of SSA's Accountability Report is to demonstrate the Agency's success in administering our programs and managing the resources entrusted to us. In addition to the retrospective information reported throughout the Accountability Report, we believe that full disclosure necessitates that we discuss the prevailing issues that will affect our programs and our ability to administer these programs in the future. In addition to the long-term financing of the Social Security system and Year 2000 computer compliance, we will be required to continue to meet the challenge of our stewardship responsibilities while administering our programs in a fair and equitable manner.

Long-Term Program Financing

Tax revenues to the Social Security system currently exceed benefit payments, and the system is building large reserves that are held in the trust funds. The April 1999 Board of Trustees Report extended projections for trust fund solvency by 2 years over the previous year's estimates. The Trustees credit the continuing strong economy and improved prospects for future performance for the improvement in financial status. Under the current estimates, benefit payments will begin to exceed tax collections in 2014. After that time, interest on the trust funds, and ultimately the trust funds themselves, will be used to pay part of each monthly benefit check. Current estimates are that the trust fund reserves will be exhausted in 2034.

Under current projections, Social Security tax receipts will provide sufficient funds after 2034 to meet approximately 71 percent of benefit obligations. To correct the long-term imbalance in Social Security financing, the President has proposed to use a portion of the budget surpluses to help meet future commitments. Under his plan, all Social Security surpluses would be used to reduce the national debt held by the public. Reducing the debt held by the public will strengthen the economy and, by reducing interest payments to the

The Social Security Trust Fund Will Be Exhausted In 2034

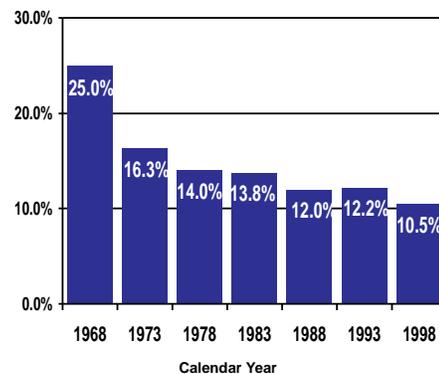


public, help provide the fiscal ability to meet future Social Security obligations. Under the President's plan, interest savings from the reduction in the debt held by the public due to the Social Security surpluses will be deposited in the trust funds. In addition, a small portion of the trust funds will be invested in the private sector, as other trust funds do to achieve a higher rate of return.

These elements of the President's proposals would extend the solvency of the trust funds from 2034 to 2053. The President has called for further bipartisan action to extend Social Security solvency for 75 years. Other plans to ensure long-term program solvency have also been proposed.

The need to resolve the long-range financing issue is clear. Social Security has made an enormous difference in the lives of older Americans. More than 9 in 10 older Americans get Social Security retirement benefit payments each month. Only about 11 percent of America's senior citizens live below the poverty line, but without Social Security, about 50 percent would be below the poverty line.

Poverty Rate Among the Elderly



For two-thirds of the elderly, Social Security is their major source of income, representing at least half of their total income. For about a third of the elderly, Social Security is virtually their only income. An in-depth discussion of the Social Security programs can be found on pages 2 through 5.

Social Security is more than a retirement program. In fact, about one in three Social Security beneficiaries are not retirees. They are disabled workers and their dependents, and children and spouses of deceased workers. Approximately 7 million people get monthly survivors benefits, and more than 6 million workers and family members get disability benefits.

SSA is continuing its efforts to educate the American public about the value of the program and its role in family financial planning.

SSA will help further the dialogue on critical long- and short-term Social Security issues by conducting in-house research, promoting research by others, framing policy discussions, and refining policies to meet the needs of society. We continue to prepare analyses on the distributional and fiscal effects of proposals developed by the Administration, Congress, and other policymakers so that decision makers may understand the impact of changes to the programs. SSA has worked to ensure that the public has the information it needs to understand the essentials of the program and the implications of various options for changing the program as the Administration and Congress examine how best to strengthen Social Security for the future.

Commitment to World-Class Service

SSA is dedicated to providing world-class service to all of the people it serves. We have many initiatives underway that will improve service to the public. But we recognize that changes in customer preferences, emerging technologies and other factors will result in modifications to the way we deliver service in the future. The Agency has begun a planning effort designed to create a vision for service in 2010 that will provide a roadmap to the future. The following are just some of the examples of the initiatives underway to improve our service to the public

Social Security Statement

One of SSA's major goals is to help Americans understand Social Security and its importance to them and their families. The Agency's earnings and benefit estimate statements, available since 1988, play a key role in this educational effort.

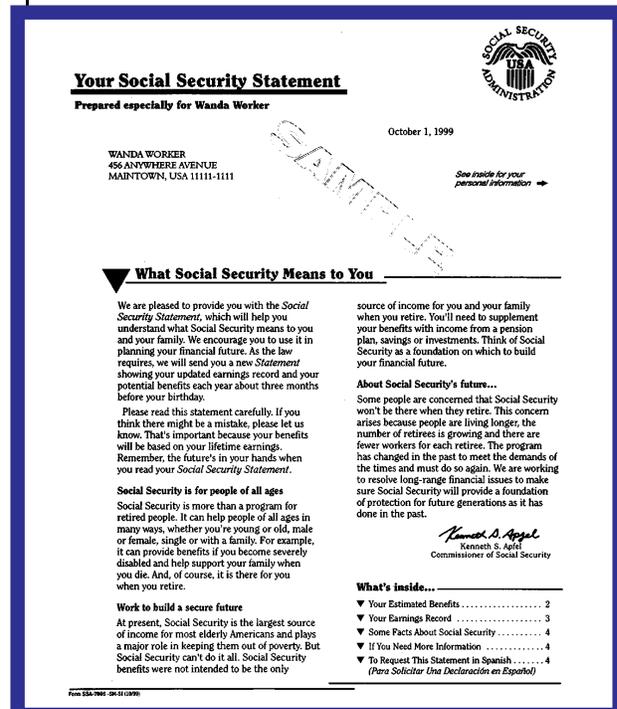
In October 1999, SSA began mailing these statements every year to over 125 million persons age 25 and older who are not already receiving Social Security benefits. Recipients can expect to get their statement about 3 months before their birthday.

The redesigned and renamed *Social Security Statement* (formerly called the Personal Earnings and Benefit Estimate Statement, or PEBES) is a 4-page, 8 1/2-inch by 11-inch document that focuses on the worker's individual record. The Social Security Act and its supporting regulations state specifically what personal data SSA must include in each statement. We also provide general information and explanations to help recipients understand their personal data, and we tell them how to contact us if they have questions.

A major public information campaign throughout FY 2000 will call attention to the statements and encourage recipients to use the information in planning their financial futures. The benefit estimates SSA provides can help recipients prepare for financial needs when they retire, if they become disabled, or if they die and leave survivors. We point out that Social Security is a foundation on which they can build, together with other pensions, savings and investments.

The statement also encourages recipients to help SSA keep their records of earnings complete and accurate. Entitlement to monthly benefits and the amount of those payments depend on the individuals' earnings over their working lifetimes. If their earnings are not reported and recorded accurately, they may not receive the benefits they have worked for. Only the individuals themselves know all the places they have worked and when they worked there. SSA needs their help in identifying and correcting any missing or erroneous earnings on their records.

To design the new form and simplify the language in it, SSA used extensive public and employee input. We tested the statement with focus groups and in a nationwide mail survey. We also sought comments from agencies and organizations that serve diverse sections of the public. As the mailings proceed and we assess reaction to the statement, we will continue to "fine tune" it to make it even more useful and responsive to the public. We expect the *Social Security Statement* to remain a major element in SSA's ongoing effort to increase public understanding of the program.



Electronic Payment Services

SSA is the leader in electronic payment delivery throughout the Federal Government. Currently, 73 percent of benefit payments and 80 percent of administrative payments are made electronically. SSA programs have experienced considerable growth in electronic payment delivery in recent years. Specifically, in December 1995, 60 percent of all OASDI and 26 percent of SSI benefit payments were made by direct deposit. As of June 1999, the OASDI participation rate had risen to 77 percent and the SSI participation rate to 48 percent.

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

- Each year SSA, in conjunction with the financial community, sponsors a direct deposit public information campaign including radio and television public service announcements to encourage current check receivers to switch to direct deposit. This year, Calvin Hill, a former Dallas Cowboy star, serves as the spokesperson for the campaign.

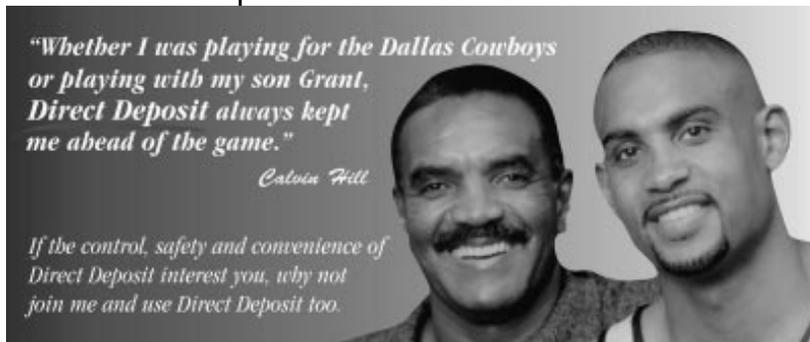
To promote the annual campaign, SSA distributes collateral printed literature and marketing materials to the financial community including a statement stuffer featuring the spokesperson.

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

SSA was the first Federal agency to make cross-border payments to consumers with the start of its International Direct Deposit (IDD) service in 1987. Since 1987, SSA has expanded its IDD services to 11 countries providing fast and economical electronic payment delivery to over

100,000 beneficiaries living in foreign countries. In response to the increasing popularity of its IDD program, SSA is accelerating the expansion of its international service to 25 additional countries by the end of 1999.

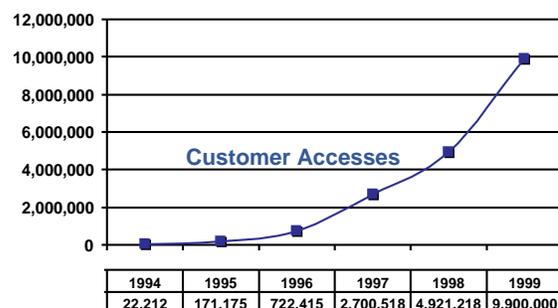
SSA has partnered with the Department of the Treasury to implement an Electronic Transfer Account (ETA) program for beneficiaries who do not have an account at a federally insured financial institution or who cannot obtain one. The ETA program will ensure recipients an account at a reasonable cost and with consumer protections comparable to other accounts at the financial institution. This program will become fully operational in the year 2000.



Internet Services

SSA faces several challenges to maintaining its long tradition of delivering customer-responsive, world-class service. As baby boomers become eligible for benefits over the next two decades, increased workloads and increased expectations by our customers for service delivery options will require different and more varied service delivery mechanisms. In addition, the number of customers expecting immediate access to information and services, anytime, anywhere, is rapidly increasing.

SSA Internet Access
May 1994-December 1999 (Projected)



In response to these demands, SSA began testing and implementing direct-access, customer services on the Internet in 1994. The number of Internet customers has rapidly increased from 22,000 in 1994 to almost 10 million in 1999.

Internet Customer Satisfaction



Through comments on the web, surveys and focus groups, customers tell us that they like these early services and want SSA to extend the convenience of doing business on the Internet to more services.

However, before any such expansion can occur, SSA must be confident that personal information in records will be disclosed only to the person to whom it pertains or a third party with their consent. In other words, SSA must be able to authenticate customers (or confirm identity) before initiating a transaction that could result in personal information being disclosed or changed. To date, SSA has restricted development to a few online processes where data in SSA records is not changed and the response is mailed to reduce the risk of improper disclosure. Knowledge-based authentication; i.e., something the customer knows that can be matched to SSA records such as a mother's maiden name, is used to identify the customer for these applications. SSA is evaluating a range of authentication measures to determine if they would provide the requisite level of privacy and security safeguards. In order to provide world-class service to our customers, our Internet services must be both convenient and secure.

Year 2000 Compliance

SSA has made significant progress in its efforts to address the Year 2000 problem. We have completed renovation of all mission-critical systems targeted for renovation. Detailed forward year, integration testing and formal certification procedures have been developed to certify Year 2000 compliance. To ensure the integrity of our production environment, SSA established a separate Year 2000 Test Facility to test the operating systems, vendor products and all of SSA's mainframe applications that run in SSA's National Computer Center and distributed applications that run on the Intelligent Work Station/Local Area Network environment. Year 2000 compliance testing of SSA's mission critical applications began in September 1997 and was completed in January 1999.

We are pleased to report that all of the software that produces the Social Security Income Payment files has been forward-date tested and certified. In addition, testing with Treasury's Financial Management Service has been completed, and beginning with the October 1998 payments, both Social Security and the SSI benefit payments are being made using Year 2000 compliant systems. The Federal Reserve (Automated Clearing House) has also successfully tested Social Security direct deposit payments.

Also, SSA has made significant progress in addressing non-mission critical systems. As of March 1999, all of SSA's non-mission critical systems have been made Year 2000 compliant. With regard to data exchanges, SSA has been in contact with all of its trading partners regarding the format and schedule for making data exchanges compliant. All data exchanges have been implemented as Year 2000 compliant. In the area of telecommunications, SSA inventoried all of its telecommunications systems and worked with the vendor community to obtain upgrades and fixes to make all systems Year 2000 compliant. Numerous acquisitions were made that resulted in the installation of telecommunications software and hardware upgrades. All telecommunication systems are now Year 2000 compliant.

SSA has worked closely with all of the State DDSs and as of January 1999, all State DDS systems have been made Year 2000 compliant.

On March 31, 1998, SSA issued its Y2K Business Continuity and Contingency Plan (version 1). This plan is updated quarterly. On September 30, 1999, the final update (version 7) was issued. The plan was developed to assure that SSA's core business functions could be performed if unforeseen Year 2000 related disruptions occur.

The plan is consistent with General Accounting Office guidelines for contingency planning. It identifies potential risks to business processes, ways to mitigate each risk and strategies for ensuring continuity of operations if planned corrections are not completed or if systems fail to operate as intended. The plan also identifies milestones, target dates and responsible components for developing local contingency plans and procedures throughout all of SSA's operating components. The plan addresses all five core business processes of SSA — enumeration, earnings, claims, postentitlement and informing the public, as well as disability claims processing functions supported by the State DDSs.

In addition, on April 30, 1999, SSA completed version 1 of the Day One Strategy Plan, and the final version of the plan (version 3) was distributed in November 1999. The Day One Strategy Plan is designed to ensure continuation of operations by taking advantage of the rollover weekend to check all systems and infrastructure prior to January 3, 2000, the first business day of the new century.

As with all other businesses and government agencies, SSA is critically dependent on infrastructure services, such as the power grid and telecommunications industry. Since SSA delivers 50 million payments each month, the Agency is also dependent on financial institutions. SSA's Business Continuity and Contingency Plan addresses how the Agency can mitigate risks in these areas and if problems occur, where contingencies will be implemented. In addition, SSA participates in the Benefit Payments and the Financial Institutions workgroups of the President's Council on Year 2000 Conversion.

SSA estimates the cost of its Year 2000 Program will be approximately \$48 million.

Stewardship

Zero Tolerance for Fraud

To achieve the goal of making SSA program management the best in the business, SSA established a policy of zero tolerance for fraud and abuse and initiated an aggressive program of anti-fraud efforts to:

- Eliminate wasteful practices that erode public confidence in the Social Security system;
- Vigorously prosecute individuals or groups who damage the integrity of the programs; and
- Change programs, systems and operations to reduce instances of fraud.

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



Recent Progress In Combating Fraud

Many aspects of SSA's anti-fraud efforts began at a grassroots level with initiatives proposed by employees. Communication of these successes has encouraged an expansion of progress in the following areas:

- Our residency verification projects identify individuals who are fraudulently receiving SSI payments while living outside of the United States. The New York Region began a new project to identify SSI recipients whose State Medicaid files have shown no activity for at least 1 year indicating they may not live in the United States or may be deceased or fictitious. This concept is being expanded to other regions.
- Implemented the first part of a comprehensive Allegation Management System to improve the fraud referral and tracking process. The Office of the Inspector General, and ultimately SSA staff, will have access to an electronic fraud referral and reporting system to streamline their cooperative efforts to deter and prosecute fraud.
- The number of Cooperative Disability Investigation units has expanded to eight. These units, staffed by personnel from the Office of the Inspector General, State law enforcement agencies and experienced program analysts, provide investigative support during the initial disability decision-making process and help prosecute individuals who try to obtain benefits fraudulently. Special emphasis is placed on identifying third-party facilitators. Additional expansion is planned.
- In June 1999, the House passed H.R. 1802, the Foster Care Independence Act of 1999, which included an administrative sanctions proposal. These sanctions would impose periods of ineligibility on individuals who furnish information material to OASDI and SSI claims that they knew, or should have known, was inaccurate or incomplete.

Supplemental Security Income (SSI) Management Improvement

The SSI program provides benefits to approximately 6.5 million needy beneficiaries who are aged, blind or disabled. Like other means-tested programs that respond to changing circumstances of individuals' lives, the SSI program presents challenges to ensure that it is administered efficiently, accurately, and fairly.

A report issued by the Commissioner in October 1998, delineated a series of actions SSA would undertake to improve oversight and stewardship of the SSI program while safeguarding the rights of SSI beneficiaries and providing world-class service to our customers.

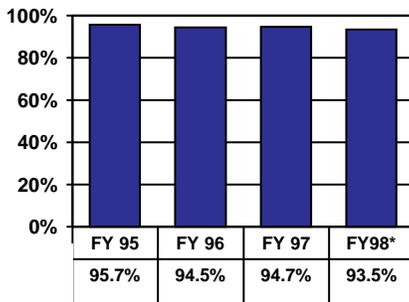
In the last year, the Agency has moved aggressively to implement this plan and to strengthen the management of the SSI program through improving payment accuracy, debt collection and expanding efforts to combat fraud.

SSI benefits are paid on the first day of the month, over- and underpayments are difficult to prevent because of changes in an individual's income, resources or living arrangements that occur during the month and due process requirements. However, some changes are not reported or reported much later than the event which can lead to a much larger payment error.

The Agency is performing new and more frequent computer matches to detect these changes earlier and, thus, reduce the level of payment error. For example, we are performing new and more frequent matches for wage and unemployment compensation information and nursing home admissions that will save in excess of \$100 million over the next few years. SSA has also developed partnerships with Federal, State and local entities to establish matching agreements with prisons and correctional facilities. Through this matching activity, SSA has made significant progress in ensuring that incarcerations are reported timely and accurately and that benefits are suspended accordingly. These agreements cover 99 percent of the inmate population in the United States and have resulted in hundreds of millions of dollars in program savings over the last few years.

In addition to computer matches, SSA is pursuing real time access to databases. This access will enable field offices to detect changes in income and resources even earlier than computer matches and will, therefore, increase our ability to prevent and detect payment errors.

SSI Benefit Payment Accuracy *Outlays Free of Overpayments*



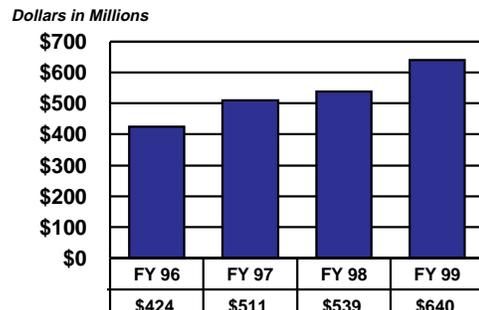
* Latest available data

Another important aspect of payment accuracy is ensuring that only those entitled to benefits continue to receive benefits. This is achieved through the redetermination and continuing disability review (CDR) processes. In the last year, SSA has made improvements to redetermination methods by implementing a new profiling methodology for selecting high error profile cases.

SSA also selected 505,000 high error redetermination cases for field office processing in FY 1999, an increase of 219,000 over the previous year. In FYs 2000 and 2001, SSA plans to select 639,000 high error cases each year. SSA projects that the increases in redeterminations each year from FY 1999 through FY 2002 will achieve overpayment reductions of \$260 million annually.

In addition to increasing the number of redeterminations processed, SSA has increased the number of CDRs it is conducting. In FY 1999, SSA processed over 1.7 million total CDRs, more than twice the number processed in 1996. SSA will continue with its 7-year plan to ensure that it is current in processing all SSI CDRs by 2002. There are also initiatives underway to improve the CDR process by improving the statistical profiling of the CDR selection process, reviewing the medical diary process and evaluating the CDR mailer to make sure it accurately identifies cases with medical improvement.

SSI Overpayment Dollars Collected



Finally, during the coming year, SSA will implement two major debt collection projects that are expected to yield direct collections of more than \$175 million over 5 years. The two projects, cross program recovery and administrative wage garnishment, will enable SSA to collect both title II and title XVI delinquent debts. Enhancements to improve SSA's debt detection and collection abilities are included in The Foster Care Independence Act of 1999 legislation currently pending before Congress.

Disability Management Improvement

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

To remedy these concerns, the Commissioner announced a plan to improve the disability process. Part of that plan involves focusing on a combination of initiatives that have demonstrated significant promise through testing and piloting over the last few years.

These initiatives include the following:

- Providing more complete development and improved explanations of how the disability determination was made in order to enhance the quality of decisions.
- Enhancing the role of the State agency medical or psychological consultant to truly function as a consultant in the disability determination process by providing information and advice to the disability examiner deciding the case. This change maximizes the effectiveness of agency resources — focusing State agency medical and psychological consultants on duties and responsibilities commensurate with their professional training and experience, such as the review of complex disability claims, as well as the training and mentoring of disability examiners.
- Providing the claimant with an increased opportunity to interact with the disability decisionmaker earlier in the process and to submit further information when evidence in the initial claim is insufficient to make a fully favorable initial determination of disability.
- Eliminating the reconsideration step in order to streamline the disability process. This allows the Agency to invest more resources to improve quality at the front end of the process, as described above.
- Improving the hearing process to significantly reduce processing time from request for hearing to final hearing disposition. The new process will identify the development needs of each case early in the process; will ensure that case development or expedited review occurs, and that cases move to the hearing fully developed and ready for decisionmaking.

All of these initiatives will be combined to form an improved disability process that the Agency will prototype in 10 States, representing 20 percent of the

national disability workload, beginning October 1, 1999. Through this prototype the Agency will further analyze and refine its improvements to the disability process with an eye towards national rollout.

Return to Work Initiatives

Among SSA's beneficiaries with disabilities, there are many who would like to return to work. This can be done if beneficiaries receive the support they need. SSA's Office of Employment Support Programs (OESP) is instrumental in promoting and designing programs that increase employment opportunities for Social Security beneficiaries. Key concepts to this employment strategy are:

- Planning, implementing and evaluating SSA programs and policies related to the employment of Social Security DI and SSI beneficiaries with disabilities;
- Providing greater incentives for public and private sector providers of employment services and promoting innovation in the design of programs that will increase employment opportunities for Social Security beneficiaries;
- Maximizing the employment potential of young people with disabilities and educating the public about SSA and other public programs that support employment;
- Enhancing services provided to beneficiaries, removing employment barriers for people with disabilities and making the transition to employment from income support programs as easy as possible.

This strategy has a number of initiatives, some that require legislation and others that can be pursued using existing legislative authorities. Some of the major initiatives are:

1. Ticket to Independence Program

The President proposed the Ticket to Independence Program in 1997 as an alternative to the current SSA Vocational Rehabilitation (VR) program. Under the proposal, a beneficiary with a long-term impairment would be issued a "ticket" which he or she could use for access to a broad range of employment and VR services. Approved private and public service providers who receive a ticket from a beneficiary, would be rewarded when they are successful in helping the beneficiary achieve independence from SSA's benefit rolls. In each case where SSA realizes a cash benefit savings due to a beneficiary's work activity, the provider would be paid a proportion of the savings.

For FY 1999, the Senate passed S.331, "The Work Incentives Improvement Act of 1999." The House has passed a similar bill, H.R. 1180. The bills are currently in conference.

2. Youth Employment Strategy

The goal of this initiative is to inform and motivate young SSI recipients about entering the workforce. SSA is partnering with The Presidential Task Force on the Employment of Adults with Disabilities, Subcommittee on Expanding Employment Opportunities for Young Adults with Disabilities, to complete the following goals:

- Identify and eliminate Federal policies that are barriers to employment for young people with disabilities;
- Make recommendations that promote effective Federal policies and the removal of policies which are barriers to employment;
- Develop an action plan that leads to a coordinated and aggressive national strategy to assure that young people with disabilities enter the workforce at comparable rates and pace as their non-disabled peers;
- Develop recommendations for influencing State and local policy and practice for young people with disabilities in achieving employment.

SSA's OESP is also initiating a Youth Early Intervention Initiative pilot to assess the impact of a more proactive approach on the successful transition of young people (ages 15-17) from school (and the SSI rolls) to work.

3. Service Delivery

In August 1998, Commissioner Apfel directed that an examination be undertaken of SSA's service to beneficiaries with disabilities who want to work to determine where such service could be improved and to develop new models for service delivery.

In March 1999, a multi-component workgroup presented a series of recommendations for improving customer service by dedicating specially trained field personnel to deliver return to work services, training our partners in the disability community on Social Security's employment support provisions, increasing public access to electronic services and by providing employees with better client information through improved technologies.

Teams comprised of Headquarters and regional/field staff were formed to implement the workgroup's recommendations. They began working in August 1999 with their first priority being the pilot of a temporary Employment Support Representative position. The position will be staffed by employees trained and

dedicated to the task of providing service to beneficiaries who want to enter or reenter the workforce.

4. State Partnership Initiative (SPI)

The initiative is designed to help States develop innovative and integrated State-wide programs of services and support for their residents with disabilities that will increase job opportunities and decrease dependence on benefits, including Social Security Disability Insurance and Supplemental Security Income benefits.

In April 1998, SSA announced the availability of cooperative agreements to States to conduct projects that will determine the degree of interaction of State and Federal systems and benefits and seek ways to integrate services to overcome barriers to employment. The approved States awarded agreements were: California, Illinois, Iowa, Minnesota, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Vermont, and Wisconsin. All of the State projects are operational; most have begun enrolling participants and collecting data.

SPI is the first activity launched under an Executive Order signed on March 13, 1998, by the President that created the National Task Force on the Employment of Adults with Disabilities. The total first-year funding for the competitively awarded cooperative agreements under SPI includes funding from the Department of Health and Human Services and the Department of Labor. In addition, SSA has awarded a contract to Virginia Commonwealth University to provide technical assistance to the States and to monitor and collect data on the State projects. This data will then be analyzed under a separate SSA contract to determine how much the initiative improved employment outcomes for participants and thereby reduced their dependence on benefits. We anticipate that the new approaches developed by States under this program will create and enhance Federal-State partnerships and serve as models that can be replicated in other States.

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

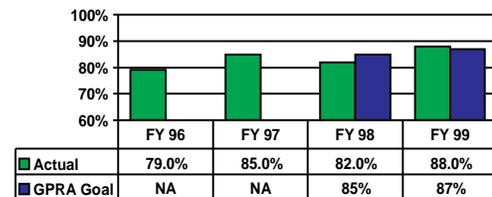
This is our traditional goal, the one that explicitly or implicitly has guided the actions of most SSA and Disability Determination Services (DDS) employees throughout our history. It reflects the millions of actions taken throughout the Agency that have made SSA "the government" to millions of individuals.

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

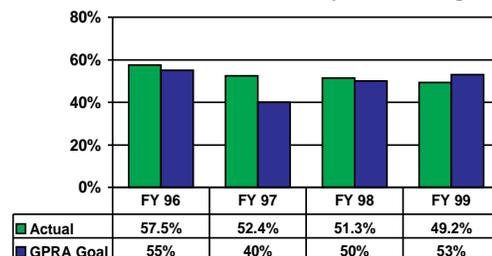


Chart 2

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.

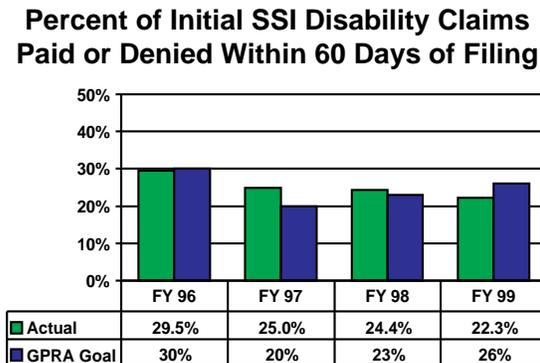


Chart 3

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.

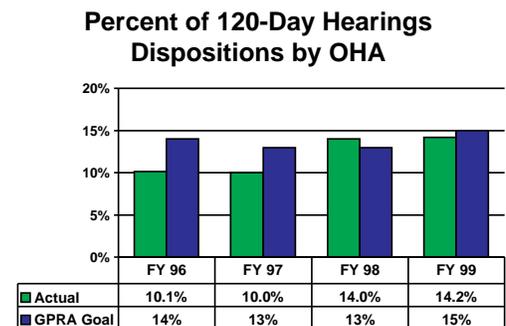


Chart 4

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

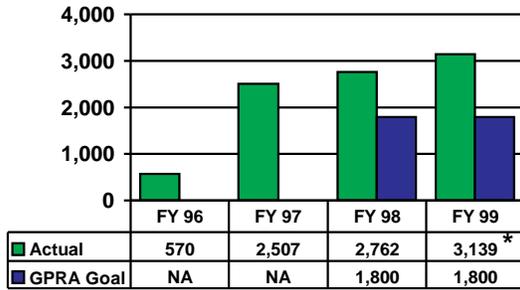
This program management goal reflects SSA's responsibility, from both a service and a business perspective, to pay benefits accurately and otherwise be a good steward of the money entrusted to our care. We are setting our standards very high to reflect our view that the public deserves the highest possible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

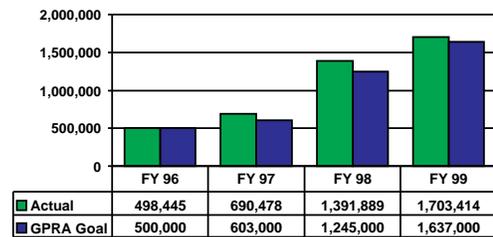


Chart 6

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

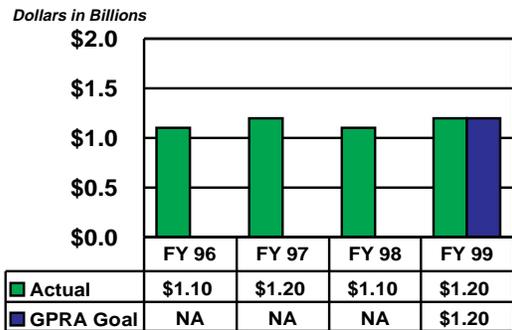


Chart 7

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

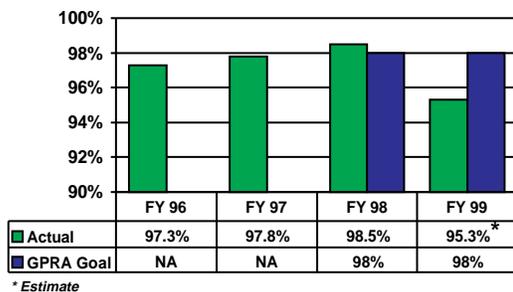


Chart 8

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

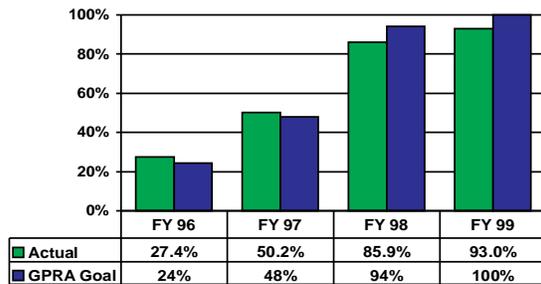


Chart 9

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.

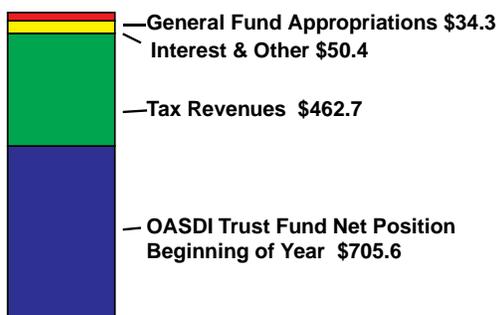
Highlights of SSA's Financial Position

Overview of Financial Data

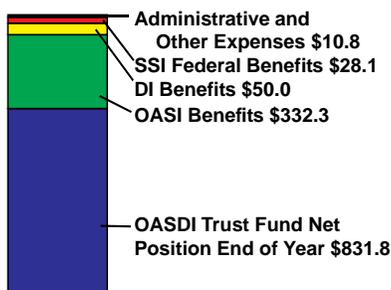
SSA's financial statements and footnotes, appearing on pages 29 through 41, received an unqualified audit opinion for the sixth consecutive year. The balance sheet displayed on page 30 reflects total assets of \$875.1 billion, a 17 percent increase over the previous year. This increase is attributable 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...



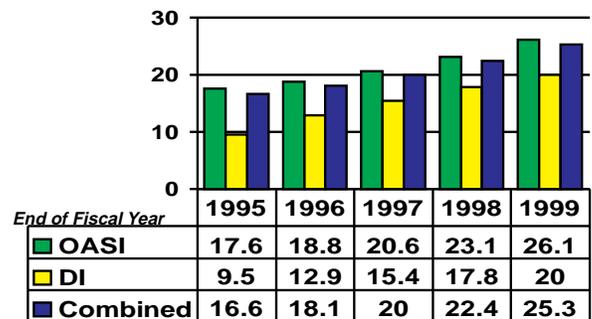
...Where It Goes



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.

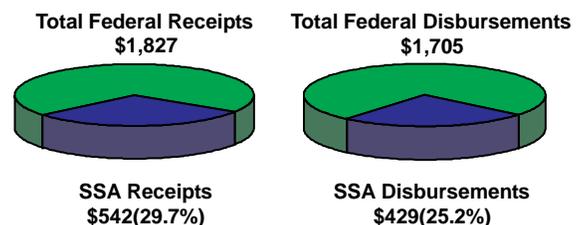
Number of Months of Benefits Yearend Assets Can Pay



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

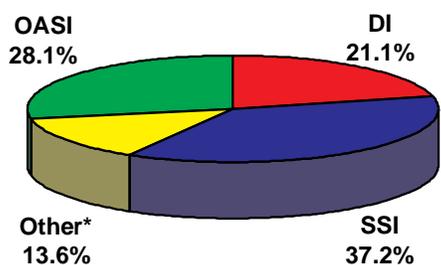


(Dollars in Billions)

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.

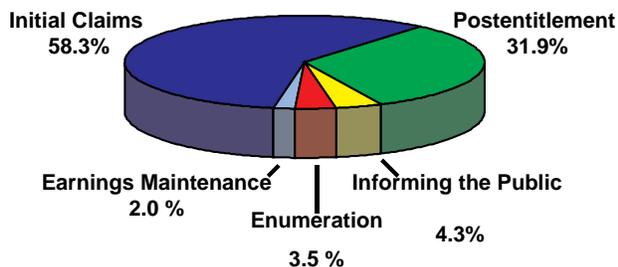
Use of Administrative Resources by Program



*Includes HI/SMI and Reimbursable Activity

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

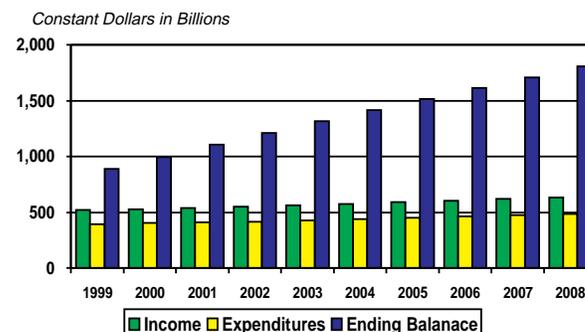


Short Term Impact on SSA's Financial Position

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.

Key Financial Management Officials



Yvette S. Jackson

Deputy Commissioner for Finance, Assessment and Management

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



Dale W. Sopper

Assistant Deputy Commissioner for Finance, Assessment and Management



Thomas G. Staples

Associate Commissioner for Financial Policy and Operations

Consolidated Balance Sheet as of September 30, 1999 and 1998

Assets	(Dollars in Millions)	
	1999	1998 Restated
Intragovernmental:		
Fund Balance with Treasury	\$ 1,035	\$ 1,106
Investments (Note 4)	854,892	730,277
Interest Receivable, Net (Note 5)	14,029	12,442
Accounts Receivable, Net (Notes 5 and 6)	572	349
Other	0	0
Total Intragovernmental	870,528	744,174
Accounts Receivable, Net (Notes 5 and 6)	4,271	3,730
Property, Plant and Equipment, Net	293	307
Other (Note 6)	51	139
Total Assets	875,143	748,350
Liabilities (Note 7)		
Intragovernmental:		
Accrued Railroad Retirement Interchange (Note 3)	3,587	3,665
Accounts Payable	2,243	1,820
Other (Note 8)	457	265
Total Intragovernmental	6,287	5,750
Benefits Due and Payable (Note 9)	36,742	36,488
Accounts Payable	649	621
Other (Note 8)	738	792
Total	44,416	43,651
Net Position (Note 10)		
Unexpended Appropriations	380	317
Cumulative Results of Operations	830,347	704,382
Total Net Position	830,727	704,699
Total Liabilities and Net Position	\$875,143	\$748,350

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

Consolidated Statement of Net Cost for the Years Ended September 30, 1999 and 1998

	(Dollars in Millions)	
	1999	1998 Restated
OASI Program		
Benefit Payments	\$332,258	\$325,006
Operating Expenses	2,201	2,207
Total Cost of OASI Program	334,459	327,213
Less: Exchange Revenue (Notes 11 and 12)	7	5
Net Cost of OASI Program	334,452	327,208
DI Program		
Benefit Payments	49,998	47,690
Operating Expenses	1,968	1,869
Total Cost of DI Program	51,966	49,559
Less: Exchange Revenue (Notes 11 and 12)	5	4
Net Cost of DI Program	51,961	49,555
SSI Program		
Benefit Payments	31,332	30,478
Operating Expenses	2,855	2,358
Total Cost of SSI Program	34,187	32,836
Less: Exchange Revenues (Notes 11 and 12)		
SSI State Supplementation	3,219	2,984
SSI Administrative Fees Earned	222	181
Other Exchange Revenues	10	7
Net Cost of SSI Program	30,736	29,664
Black Lung Program		
Benefit Payments	548	583
Operating Expenses	4	5
Total Cost of Black Lung Program	552	588
Less: Exchange Revenues (Notes 11 and 12)	0	0
Net Cost of Black Lung Program	552	588
Other		
Operating Expenses	1,067	1,103
Less: Other Exchange Revenues (Notes 11 and 12)	4	3
Net Cost of Other	1,063	1,100
Net Cost of Operations	\$418,764	\$408,115

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

Consolidated Statement of Changes in Net Position for the Years Ended September 30, 1999 and 1998

	(Dollars in Millions)	
	1999	1998 Restated
Net Cost of Operations	\$418,764	\$408,115
Financing Sources (other than Exchange Revenues)		
Appropriations Used	31,052	30,307
Tax Revenues (Note 13)	462,657	431,974
Imputed Financing (Note 14)	288	292
Interest, Donations and Other Revenues	53,675	48,038
Transfers-In (Note 3)		
Trust Fund Draws and Other	941	1,051
SSI Receivables Recovered	1,332	1,215
Transfers-Out (Note 3)		
Trust Fund Draws and Other	0	0
Railroad Retirement Interchange	(3,738)	(3,775)
SSI Receivables Transferred to Treasury	(1,332)	(1,215)
SSI Administrative Fees Transferred to Treasury	(147)	(146)
Total Financing Sources	544,728	507,741
Net Results of Operations	125,964	99,626
Cumulative Effect of Prior Period Adjustments	0	294
Increase (Decrease) in Unexpended Appropriations	64	(1,369)
Change in Net Position	126,028	98,551
Net Position, Beginning Balance	704,699	606,148
Net Position, Ending Balance	\$830,727	\$704,699

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

Consolidated Statement of Budgetary Resources for the Years Ended September 30, 1999 and 1998

	(Dollars in Millions)	
	1999	1998 Restated
Budgetary Resources Made Available		
Budget Authority	\$548,228	\$510,836
Unobligated Balances - Beginning of the Period	691,158	594,399
Spending Authority from Offsetting Collections	3,320	3,045
Adjustments	15	(376)
Total Budgetary Resources Made Available	1,242,721	1,107,904
Status of Budgetary Resources (Note 15)		
Obligations Incurred	427,083	416,963
Unobligated Balances - Available	815,598	690,924
Unobligated Balances - Not Available	40	17
Total Status of Budgetary Resources	1,242,721	1,107,904
Outlays		
Obligations Incurred	427,083	416,963
Less: Spending Authority	(3,333)	(3,062)
Obligated Balances - Beginning of Period	40,756	39,402
Less: Obligated Balance - End of Period	(40,699)	(40,756)
Total Outlays	\$423,807	\$412,547

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

Consolidated Statement of Financing for the Years Ended September 30, 1999 and 1998

	(Dollars in Millions)	
	1999	1998 Restated
Obligations and Non-Budgetary Resources		
Obligations Incurred	\$427,083	\$416,963
Other Spending Authority	(3,333)	(3,062)
Imputed Financing	288	292
Transfers In (Out)	(5,391)	(5,992)
Exchange Revenue	(298)	(166)
Total Obligations and Non-Budgetary Resources	418,349	408,035
Resources Not Funding Net Cost of Operations		
Change in Undelivered Orders	(44)	80
Capitalized Costs	62	(27)
Financing Sources that Fund Costs of Prior Periods	(9)	(96)
Total Resources Not Funding Net Cost of Operations	9	(43)
Costs Not Requiring Resources		
Depreciation and Amortization	170	132
Other	(36)	(37)
Total Costs Not Requiring Resources	134	95
Financing Sources Yet to Be Provided	272	28
Net Cost of Operations	\$418,764	\$408,115

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

SOCIAL SECURITY ADMINISTRATION

Notes To The Principal Financial Statements

1

Summary of Significant Accounting Policies

Reporting Entity

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

The financial statements have been prepared from the accounting records of SSA in conformity with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 97-01. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which was recently designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants. These statements are different from the financial reports, also prepared by SSA, pursuant to OMB directives that are used to monitor and control SSA's use of budgetary resources.

In accordance with technical amendments to OMB Bulletin 97-01, SSA made several changes to its principal financial statements and footnotes. On the Balance Sheet, entity and non-entity assets as well as liabilities covered and not covered by budgetary resources have been combined. Notes 6 and 7, respectively, disclose this information.

In addition, in 1999 SSA implemented new guidance to record receivables and payables between SSA and the trust funds for accrued benefits. This change was retroactively applied to FY 1998. The effect of the change in receivables and payables is eliminated on the Balance Sheet, but is disclosed in Note 5, Interest and Accounts Receivables. The budgetary impact is

reflected in the restated FY 1998 Statement of Budgetary Resources. This caused a decrease of \$35 billion in the beginning of period and end of year unobligated balances - available for FY 1998. Furthermore, for consistency, SSA has decreased the beginning of the period and the end of year unobligated balances - available for FY 1998 by \$3 billion to reflect the budgetary impact of the accrued liability for the Railroad Retirement Interchange.

The consolidated financial statements include the accounts of all funds under SSA control, consisting of two trust funds, three general fund appropriations and five deposit funds. The trust funds are the Old Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. SSA's statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, BL-Part B and Other. The fund balance with Treasury shown on the Balance Sheet represents the total of all SSA's account balances with the Department of the Treasury.

Investments

Trust fund balances may only be invested in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the Social Security Act. These investments consist of U.S. Treasury special issues and bonds. Special issues are special public debt obligations for purchase exclusively by the trust funds. They are always purchased and redeemed at face value, which is the same as their carrying value on the Balance Sheet. U.S. Treasury bonds are carried at amortized cost.

Effective December 31, 1998 and prospectively, the Department of the Treasury changed the methodology used to calculate interest rates for non-marketable Treasury securities, including the Social Security trust funds. Treasury's revised methodology uses an average market yield. This change will make the methodology more consistent with the manner in which yields are calculated in the private financial sector and results in an average interest rate that more accurately reflects prevailing market conditions.

Property, Plant and Equipment

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

Benefits Due and Payable

Liabilities are accrued for OASI, DI and BL benefits to which recipients are entitled 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, such as benefit payments due but not paid pending receipt of a correct address, and adjudicated and unadjudicated hearings and appeals, and civil litigation cases which were not paid at the close of the fiscal year (See Note 9, Benefits Due and Payable).

Contingent Liabilities

SSA has certain claims and lawsuits pending against it. When pending claims will probably result in payment and these amounts are estimable, appropriate provision has been made in the accompanying financial statements. For FY 1999, there were no pending claims which would require disclosure as a contingent liability.

SSA has class action suits which may affect major client populace, that may be lost, in whole or in part, in lower courts and/or on appeal and may require a future implementation plan. Any final unfavorable court decisions will be funded from the appropriate trust fund or from the general funds for the SSI program. However, at this time SSA is unable to determine an estimate of loss for any class action suits. In the opinion of management and legal counsel, the resolution of the class actions and other claims and lawsuits will not materially affect the financial position or operations of SSA.

Administrative Expenses

SSA initially charges administrative expenses to the Limitation on Administrative Expenses (LAE) appropriation. Section 201(g) of the Social Security Act requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate trust or general fund. Accordingly, administrative expenses are

subsequently distributed during each month to the appropriate trust and general funds accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Recognition of Financing Sources

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

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

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes paid by the self-employed. Adjustments are made to the estimates for actual FICA taxes payable, actual SECA taxes paid and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate), credit for military service, income taxation of Social Security benefits and interest on trust fund unnegotiated benefit payment checks are also included in tax revenues (See Note 13, Tax Revenues).

Trust fund balances not required to meet current expenditures are invested on a daily basis in interest-bearing obligations of the U.S. Government. For U.S. Treasury special issues, interest income is compounded semi-annually (June and December) and has been adjusted to include an accrual for interest earned from July 1 to September 30 and to exclude the prior year's accrual. Interest from U.S. Treasury bonds is received periodically throughout the year and is accrued accordingly.

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

Other financing sources consist primarily of reimbursable services. Reimbursements are recognized as the services are performed (See Note 11, Exchange Revenues). These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as property, plant and equipment and other long term assets as specified by law.

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

Cumulative Effect of Prior Period Adjustments

In FY 1998, a prior period adjustment was made to eliminate the cumulative effect, of the revised methodology, of allocating the Limitation on Administrative Expenses appropriation among SSA's major programs. SSA implemented this change to further improve compliance with the concept of full costing per the Statement of Federal Financial Accounting Standards No. 4, "Managerial Cost Accounting Standards."

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. Accordingly, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

These statements are not intended to report SSA's proportionate share of the Federal deficit. Financing for general fund appropriations reported on the Consolidated Statement of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this

funding, whether tax revenue or public borrowing, has not been allocated to SSA.

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

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

One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to CSRS were \$158.4 and \$154.4 million for FY 1999 and 1998, respectively. SSA contributions to FERS were \$108.5 and \$87.4 million for FY 1999 and 1998, respectively. In addition, SSA contributions to the FERS savings plan were \$40.9 and \$31.9 million for FY 1999 and 1998, respectively. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since these data are only reported in total by the Office of Personnel Management.

3

Intra-Governmental Financing Sources

SSA receives financing sources that are other than Exchange and Non-Exchange Revenue which provide inflows of sources that increase results of operations during the reporting period. The more significant financing source received from another Federal entity is the drawdown of funds from the HI/SMI Trust Funds for the Health Care Financing Administration's (HCFA) Medicare program. For FY 1999 and 1998, respectively,

\$953 and \$943 million were drawdown to cover SSA's operating expenses. These amounts represent the majority of the Transfers-In for Trust Fund Draws and Other line item as presented on the Statement of Changes in Net Position.

Financing outflows may result from transfers of the reporting entity's assets to other Government entities, without reimbursement. SSA financing outflows mainly consist of transfers to the Railroad Retirement Board (RRB) for the annual interchange and SSI receivable transferred to the Department of the Treasury.

The RRB transfer is for the annual interchange required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June. SSA transferred the railroad retirement interchange (RRI) in the amount of \$3.7 and \$3.8 billion for FY 1999 and 1998, respectively. The accrued liability of \$3.6 and \$3.7 billion for FY 1999 and 1998, respectively, on the Balance Sheet represents amounts due RRB for the period. Also, amounts for railroad workers, who have qualified for and are receiving OASI and DI benefit payments, are included in the benefit payment expenses on the Statement of Net Cost. However, the RRB on behalf of SSA makes the payments to the qualifying railroad workers. SSA compensated RRB in the amount of \$1.0 and \$1.1 billion for FY 1999 and 1998, respectively.

SSA transfers to the Department of the Treasury consist of collections for SSI benefit overpayments that are deposited in the General Fund. These transfers are \$1.3 and \$1.2 billion for FY 1999 and 1998, respectively. In addition, a portion of the administrative fees charged to the States to administer the supplemental SSI benefits program is returned to the U.S. Treasury and amounted to \$147 and \$146 million for FY 1999 and 1998, respectively.

4 Investments

Investments held for the trust funds mature at various dates ranging from the present to the year 2014. The interest rates on these investments range from 5 7/8 percent to 11 3/4 percent. These investments consist of U.S. Treasury special issues and bonds. Special issues

are special public debt obligations for purchase exclusively by the trust funds. They are always purchased and redeemed at face value, which is the same as their carrying value on the Balance Sheet. However, U.S. Treasury bonds are carried at amortized cost.

	<i>(In Millions)</i>	
	<u>1999</u>	<u>1998</u>
Special Issue U.S. Treasury Securities	\$854,848	\$730,228
U.S. Treasury Bonds - carrying value	<u>44</u>	<u>49</u>
Total Investments	\$854,892	\$730,277

5 Interest and Accounts Receivables

Interest Receivable

Intragovernmental receivables consist primarily of accrued interest receivables on investments. These were \$14,029 and \$12,442 million on trust fund investments with the U.S. Treasury for the period June 30 through September 30, 1999 and 1998, respectively.

Accounts Receivable

Accounts receivable consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement under the OASI, DI, SSI and BL programs. In addition, the OASI and DI gross receivables contain amounts to be received from the Department of the Treasury for 1 month's accrued benefit activity. As managing trustee for the Trust Funds, Treasury established a reciprocal accounts payable to OASI and DI. Since SSA presents its financial statements on a consolidated basis, these receivables and payables are Intra-Agency Eliminations.

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

Accounts Receivable by Major Program:

1999 (In Millions)	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.
OASI	\$30,997	\$ (111)	\$30,886
DI	8,827	(764)	8,063
SSI	332	(84)	248
BL	4	(1)	3
Other*	2,847	(1,009)	1,838
Intra-Agency Eliminations	(36,195)	0	(36,195)
All Programs	\$ 6,812	\$(1,969)	\$ 4,843

*See Note 6, Assets

1998 (In Millions)	Gross Rec.	Allowance for Doubtful Accts.	Net Rec.
OASI	\$30,370	\$ (117)	\$30,253
DI	8,399	(629)	7,770
SSI	317	(78)	239
BL	4	(1)	3
Other*	2,483	(835)	1,648
Intra-Agency Eliminations	(35,834)	0	(35,834)
All Programs	\$ 5,739	\$(1,660)	\$ 4,079

*See Note 6, Assets

6

Assets

Non-Entity Assets

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

(In Millions)

	1999	1998
Intragovernmental:		
Accounts Receivable	\$ 260	\$ 336
Total Intragovernmental	260	336
Accounts Receivable	1,578	1,312
Total	\$1,838	\$1,648

Other Assets

SSA's Other Assets, presented on the Balance Sheet, mainly consist of multi-contract purchases of information technology software and hardware in the amounts of \$48 and \$135 million in FY 1999 and 1998, respectively. These assets are amortized over a 3-year period.

7

Liabilities Not Covered by Budgetary Resources

Accounts Payable

Included in Accounts Payable is SSI Receivables Owed to Treasury. This liability is recorded for the collection of SSI benefit overpayments that are payable from SSA to the General Fund of the Treasury. It directly relates to the accounts receivable established in the asset portion of the Balance Sheet. Refer to Note 6, Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

Benefits Due and Payable

This unfunded liability represents the amount of benefits due and payable for the SSI program that is not covered by budgetary resources. Refer to Note 9, Benefits Due and Payable, for all major SSA programs.

Other Liabilities Not Covered by Budgetary Resources

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into

current and non-current portions. Current fiscal year claim amounts to be paid by SSA within two years are the current portion; these are included in the Intragovernmental, Other Liabilities line item. SSA's current portion of FECA liability was \$40 and \$34 million as of September 30, 1999 and 1998, respectively. The non-current portion of FECA actuarial liability is comprised of claims that will be paid more than two years in the future, which are administered by the Department of Labor (DOL) and are ultimately paid by SSA. The non-current portion, of \$185 and \$188 million as of September 30, 1999 and 1998, respectively, is recorded in the Other Liabilities line item. This actuarial liability was calculated using historical payment data to project future costs.

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

	<i>(In Millions)</i>	
	<u>1999</u>	<u>1998</u>
Intragovernmental:		
Accounts Payable	\$1,838	\$1,648
Other	<u>257</u>	<u>181</u>
Total Intragovernmental	2,095	1,829
Benefits Due and Payable	996	943
Other	<u>462</u>	<u>442</u>
Total	<u>\$3,553</u>	<u>\$3,214</u>

8

Other Liabilities

SSA's Other Liabilities, not already disclosed in Note 7, Liabilities Not Covered by Budgetary Resources, is comprised of: accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds.

	<i>(In Millions)</i>	
	<u>1999</u>	<u>1998</u>
Intragovernmental	\$200	\$ 84
Other Liabilities	<u>276</u>	<u>350</u>
Total	\$476	\$434

9

Benefits Due and Payable

Benefits due and payable for SSA's major programs as of September 30, 1999 and 1998 are shown in the table below. These amounts include an estimate for unadjudicated cases that will be payable in the future. Accrued benefits for all programs are covered by budgetary resources except for the SSI program.

	<i>(In Millions)</i>	
	<u>1999</u>	<u>1998</u>
OASI	\$29,017	\$28,941
DI	6,684	6,557
SSI	996	943
BL	<u>45</u>	<u>47</u>
Total	<u>\$36,742</u>	<u>\$36,488</u>

10

Net Position

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

11

Exchange Revenues

Revenue from exchange transactions is recognized when goods and services are provided. Total exchange revenue was \$3,467 and \$3,184 million for FY 1999 and 1998, respectively. SSA's exchange revenue primarily consists of SSI State Supplementation. SSA has agreements with 25 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Total supplemental SSI benefits paid by SSA on behalf of the States were \$3,219 and \$2,984 million for FY 1999 and 1998, respectively. SSA is reimbursed by the States in full and earned

administration fee revenue in the amount of \$222 and \$181 million for FY 1999 and 1998, respectively.

In FY 1999, SSA charged a fee for the administration of these supplemental payments of \$7.60 per payment. As required by law, fees charged will incrementally increase over the FY 1997 to FY 2002 period from \$5.00 per payment in FY 1997 to \$8.50 in FY 2002. Also as required by law, starting in FY 2003, the administration fee will be adjusted based on the Consumer Price Index unless SSA determines a different rate is appropriate.

In addition, SSA earned \$26 and \$19 million in other exchange revenue in FY 1999 and 1998, respectively. The goods and services provided in these transactions are priced so that charges do not exceed the Agency's cost.

12 Cost and Revenue by Budget Function

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

1999	<i>(In Millions)</i>		
	Gross Cost	Less Earned Revenue	Net Cost
Social Security	\$386,425	\$ 12	\$386,413
Income Security	34,739	3,451	31,288
Medicare	1,067	4	1,063
Total	\$422,231	\$3,467	\$418,764

1998	<i>(In Millions)</i>		
	Gross Cost	Less Earned Revenue	Net Cost
Social Security	\$376,772	\$ 9	\$376,763
Income Security	33,424	3,172	30,252
Medicare	1,103	3	1,100
Total	\$411,299	\$3,184	\$408,115

13 Tax Revenues

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

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

SSA has permanent indefinite authority for two appropriations, Taxation of Social Security Benefits and FICA/SECA Tax Credits. Both appropriations are authorized by Public Law 98-21. They are for unspecified amounts of money and do not require action by Congress to authorize their use.

The amounts for estimated employment taxes, adjustments for actual taxes payable, and refunds as well as other tax revenues follows. Other tax revenues include certain military wage credits and income tax on benefits.

	<i>(In Millions)</i>	
	1999	1998
Estimated Employment Taxes Credited to SSA	\$451,904	\$425,441
Adjustments	1,234	(741)
Refunds	(1,548)	(2,130)
Employment Tax Revenues	451,590	422,570
Other Tax Revenues	11,067	9,404
Total Tax Revenues	\$462,657	\$431,974

14

Imputed Financing

The Statement of Net Cost recognizes post-employment benefit expenses, as a portion of operating expenses, of \$555 and \$534 million for FY 1999 and 1998, respectively. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life and health insurance. The Statement of Changes in Net Position recognizes an imputed financing source of \$288 and \$292 million for FY 1999 and 1998, respectively. The imputed financing source represents annual service cost not paid by SSA.

15

Status of Budgetary Resources

The tables below show the status of SSA's budgetary resources by program as of September 30, 1999 and 1998. Obligations incurred consist of expended authority, recoveries of prior year obligations and the change in undelivered orders. Undelivered orders as of September 30, 1999 and 1998 are \$696 and \$652 million, respectively.

During FY 1999, adjustments were made to SSA's budgetary resources to increase the indefinite authority for the SSI appropriation for \$243 million and for the BL appropriation for \$3.5 million. This reapportionment assured that adequate funding would be available for the remainder of the fiscal year.

Budgetary Resources by Program:

1999	Unobligated	Unobligated	Expended	Change in	(In Millions)
Program	Appropriations Available	Appropriations Unavailable	Authority & Recoveries	Undelivered Orders	Total
OASI	\$729,635	\$ 0	\$339,319	\$ (8)	\$1,068,946
DI	85,823	0	52,426	(9)	138,240
SSI	87	2	33,747	33	33,869
BL	1	0	552	0	553
Other	52	38	995	28	1,113
Total	\$815,598	\$40	\$427,039	\$44	\$1,242,721

1998	Unobligated	Unobligated	Expended	Change in	(In Millions)
Program	Appropriations Available	Appropriations Unavailable	Authority & Recoveries	Undelivered Orders	Total
OASI	\$620,541	\$ 0	\$332,533	\$(63)	\$ 953,011
DI	70,200	0	50,082	(2)	120,280
SSI	73	16	32,791	7	32,887
BL	9	1	589	0	599
Other	101	0	1,048	(22)	1,127
Total	\$690,924	\$17	\$417,043	\$(80)	\$1,107,904

Balance Sheet by Major Program as of September 30, 1999

Assets	(Dollars in Millions)						
	OASI	DI	SSI	Black Lung	Other	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ 151	\$ (36)	\$ 816	\$50	\$ 54		\$ 1,035
Investments	762,226	92,666	0	0	0		854,892
Interest Receivable, Net	12,584	1,445	0	0	0		14,029
Accounts Receivable, Net	29,561	6,945	1	0	260	\$(36,195)	572
Other	0	34	175	0	58	(267)	0
Total Intragovernmental	804,522	101,054	992	50	372	(36,462)	870,528
Accounts Receivable, Net	1,325	1,118	247	3	1,578		4,271
Property, Plant and Equip., Net	162	131	0	0	0		293
Other	28	23	0	0	0		51
Total Assets	806,037	102,326	1,239	53	1,950	(36,462)	875,143
Liabilities							
Intragovernmental:							
Accrued RRI	3,453	134	0	0	0		3,587
Accounts Payable	29,549	6,941	110	0	1,838	(36,195)	2,243
Other	346	64	268	0	46	(267)	457
Total Intragovernmental	33,348	7,139	378	0	1,884	(36,462)	6,287
Benefits Due and Payable	29,017	6,684	996	45	0		36,742
Accounts Payable	4	18	625	0	2		649
Other	181	168	283	0	106		738
Total	62,550	14,009	2,282	45	1,992	(36,462)	44,416
Net Position							
Unexpended Appropriations	0	0	322	8	50		380
Cumulative Results of Operations	743,487	88,317	(1,365)	0	(92)		830,347
Total Net Position	743,487	88,317	(1,043)	8	(42)		830,727
Total Liabilities and Net Position	\$806,037	\$102,326	\$1,239	\$53	\$1,950	\$(36,462)	\$875,143

Schedule of Changes in Net Position for the Year Ended September 30, 1999

	(Dollars in Millions)						Consolidated
	OASI	DI	SSI	Black Lung	Other	Intra-Agency Eliminations	
Net Costs of Operations	\$334,452	\$51,961	\$30,736	\$552	\$1,063		\$418,764
Financing Sources (other than Exchange Revenues)							
Appropriations Used	0	0	30,489	552	11		31,052
Tax Revenues	400,106	62,551	0	0	0		462,657
Imputed Financing	76	62	106	0	44		288
Interest, Donations and Other Revenue	48,234	5,441	0	0	0		53,675
Transfers-In							
Trust Fund Draws and Other	363,242	58,870	0	0	1,037	\$(422,208)	941
SSI Receivables Recovered	0	0	0	0	1,332		1,332
Transfers-Out							
Trust Fund Draws and Other	(363,328)	(58,880)	0	0	0	\$422,208	0
Railroad Retirement Interchange	(3,577)	(161)	0	0	0		(3,738)
SSI Receivables Transferred to Treasury	0	0	0	0	(1,332)		(1,332)
SSI Administrative Fees Transferred to Treasury	0	0	(147)	0	0		(147)
Total Financing Sources	444,753	67,883	30,448	552	1,092		544,728
Net Results of Operations	110,301	15,922	(288)	0	29		125,964
Increase (Decrease) in Unexpended Appropriations	0	0	71	(5)	(2)		64
Change in Net Position	110,301	15,922	(217)	(5)	27		126,028
Net Position, Beginning Balance	633,186	72,395	(826)	13	(69)		704,699
Net Position, Ending Balance	\$743,487	\$88,317	\$(1,043)	\$8	\$(42)		\$830,727

Schedule of Budgetary Resources for the Year Ended September 30, 1999

	(Dollars in Millions)					
	OASI	DI	SSI	Black Lung	Other	Consolidated
Budgetary Resources Made Available						
Budget Authority	\$448,273	\$67,986	\$30,434	\$543	\$992	\$548,228
Unobligated Balances - Beginning of Period	620,673	70,254	129	10	92	691,158
Spending Authority from Offsetting Collections	0	0	3,304	0	16	3,320
Adjustments	0	0	2	0	13	15
Total Budgetary Resources Made Available	1,068,946	138,240	33,869	553	1,113	1,242,721
Status of Budgetary Resources						
Obligations Incurred	339,311	52,417	33,780	552	1,023	427,083
Unobligated Balances - Available	729,635	85,823	87	1	52	815,598
Unobligated Balances - Not Available	0	0	2	0	38	40
Total Status of Budgetary Resources	1,068,946	138,240	33,869	553	1,113	1,242,721
Outlays						
Obligations Incurred	339,311	52,417	33,780	552	1,023	427,083
Less: Spending Authority	0	0	(3,305)	0	(28)	(3,333)
Obligated Balances - Beginning of Period	32,876	6,962	695	48	175	40,756
Less: Obligated Balance - End of Period	(32,804)	(7,111)	(544)	(45)	(195)	(40,699)
Total Outlays	\$339,383	\$52,268	\$30,626	\$555	\$975	\$423,807

Schedule of Financing for the Year Ended September 30, 1999

	(Dollars in Millions)					
	OASI	DI	SSI	Black Lung	Other	Consolidated
Obligations and Non-Budgetary Resources						
Obligations Incurred	\$339,311	\$52,417	\$33,780	\$552	\$1,023	\$427,083
Other Spending Authority	0	0	(3,305)	0	(28)	(3,333)
Imputed Financing	76	62	106	0	44	288
Transfers In (Out)	(4,878)	(366)	(147)	0	0	(5,391)
Exchange Revenue	(101)	(165)	(32)	0	0	(298)
Total Obligations and Non-Budgetary Resources	334,408	51,948	30,402	552	1,039	418,349
Resources Not Funding Net Cost of Operations						
Change in Undelivered Orders	8	9	(33)	0	(28)	(44)
Capitalized Costs	26	21	0	0	15	62
Financing Sources that Fund Costs of Prior Periods	(1)	(7)	(1)	0	0	(9)
Total Resources Not Funding Net Cost of Operations	33	23	(34)	0	(13)	9
Costs Not Requiring Resources						
Depreciation and Amortization	45	36	63	0	26	170
Other	(34)	(46)	34	0	10	(36)
Total Costs Not Requiring Resources	11	(10)	97	0	36	134
Financing Sources Yet to Be Provided	0	0	271	0	1	272
Net Cost of Operations	\$334,452	\$51,961	\$30,736	\$552	\$1,063	\$418,764

Required Supplementary Information: Intragovernmental Balances as of September 30, 1999

(Dollars in Millions)

	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net	SSI (1) Receivable
Intragovernmental Assets:					
Department of the Treasury, 20	\$1,035	\$854,892	\$14,029		
Other, 00				\$312	\$260
Total Intragovernmental Assets	\$1,035	\$854,892	\$14,029	\$312	\$260

	Accrued Railroad Retirement Interchange	Accounts Payable (2)	SSI Receivables Owed to Treasury	Other Liabilities
Intragovernmental Liabilities:				
Department of Labor, 16				\$71
Department of the Treasury, 20			\$1,838	
General Services Administration, 47				91
Railroad Retirement Board, 60	\$3,587			
Other, 00		\$405		296
Total Intragovernmental Liabilities	\$3,587	\$405	\$1,838	\$458

	Exchange Revenue	Full Cost to Generate Revenue (3)	Non-Exchange Revenue (4)
Intragovernmental Revenues & Related Costs:			
Department of Agriculture, 12	\$14	\$(14)	
Department of Health and Human Services, 75	1	(1)	\$ 1,037
Department of Justice, 15	1	(1)	
Department of Labor, 16	1	(1)	
Department of the Treasury, 20	4	(4)	514,591
Railroad Retirement Board, 60			(3,738)
Other, 00			714
Total Intragovernmental Revenues & Related Costs	\$21	\$(21)	\$512,604

(1) Represents amounts due or received by the SSI/General Fund from the OASDI Trust Funds. Not eliminated due to compliance with FASAB Standard Number 1.

(2) \$51 million of Accounts Payable represents accrued SSI administrative expenses for prior FYs owed to LAE.

(3) SSA operates under the policy that reimbursable revenue received equals SSA's costs to provide goods and services.

(4) Following the "Intragovernmental Fiduciary Transactions Accounting Guide," dated 9/9/99, Imputed Financing Source is recorded as Department Code 00.

PROVIDING OFFICE

BUREAU OF PUBLIC DEBT
 PARKERSBURG, WV 26106-1328
 TELEPHONE: (304) 480-5150

STATEMENT OF ACCOUNT

ACCOUNT TITLE AND NUMBER

OLD AGE AND SURVIVORS INSURANCE
 TRUST FUND, 2820X8006

DESCRIPTION OF HOLDINGS AS OF: 9/30/99 INVESTED BALANCE: \$762,225,947,000.00

(Dollars in Millions)

Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
<u>Bonds Maturing June 30, 2000</u>		<u>Bonds Maturing June 30, 2001</u>		<u>Bonds Maturing June 30, 2002</u>		<u>Bonds Maturing June 30, 2003</u>	
\$2,057	10.375%	\$2,240	9.250%	\$2,240	9.250%	\$5,912	9.250%
2,240	9.250%	7,100	8.750%	7,100	8.750%	7,100	8.750%
7,100	8.750%	1,302	8.625%	3,672	8.625%	3,611	8.125%
1,302	8.625%	2,370	8.375%	3,611	8.125%	3,575	7.375%
313	8.375%	3,611	8.125%	3,575	7.375%	3,962	7.250%
3,611	8.125%	3,575	7.375%	3,962	7.250%	3,372	7.000%
3,575	7.375%	3,962	7.250%	3,372	7.000%	3,975	6.875%
3,962	7.250%	3,372	7.000%	3,975	6.875%	2,431	6.500%
3,372	7.000%	3,975	6.875%	2,431	6.500%	3,151	6.250%
3,975	6.875%	2,431	6.500%	3,151	6.250%	6,694	6.000%
1,796	6.500%	3,151	6.250%	6,694	6.000%	6,169	5.875%
		6,694	6.000%	6,169	5.875%		
		6,169	5.875%				
<u>Bonds Maturing June 30, 2004</u>		<u>Bonds Maturing June 30, 2005</u>		<u>Bonds Maturing June 30, 2006</u>		<u>Bonds Maturing June 30, 2007</u>	
\$13,012	8.750%	\$13,012	8.750%	\$16,624	8.125%	\$20,199	7.375%
3,611	8.125%	3,611	8.125%	3,575	7.375%	3,962	7.250%
3,575	7.375%	3,575	7.375%	3,962	7.250%	3,372	7.000%
3,962	7.250%	3,962	7.250%	3,372	7.000%	3,975	6.875%
3,372	7.000%	3,372	7.000%	3,975	6.875%	2,431	6.500%
3,975	6.875%	3,975	6.875%	2,431	6.500%	3,151	6.250%
2,431	6.500%	2,431	6.500%	3,151	6.250%	6,694	6.000%
3,151	6.250%	3,151	6.250%	6,694	6.000%	6,169	5.875%
6,694	6.000%	6,694	6.000%	6,169	5.875%		
6,169	5.875%	6,169	5.875%				
<u>Bonds Maturing June 30, 2008</u>		<u>Bonds Maturing June 30, 2009</u>		<u>Bonds Maturing June 30, 2010</u>		<u>Bonds Maturing June 30, 2011</u>	
\$3,962	7.250%	\$27,312	7.250%	\$3,372	7.000%	\$33,114	7.000%
3,372	7.000%	3,372	7.000%	3,975	6.875%	3,975	6.875%
3,975	6.875%	3,975	6.875%	29,743	6.500%	6,694	6.000%
2,431	6.500%	2,431	6.500%	6,694	6.000%	6,169	5.875%
23,350	6.250%	6,694	6.000%	6,169	5.875%		
6,694	6.000%	6,169	5.875%				
6,169	5.875%						
<u>Bonds Maturing June 30, 2012</u>		<u>Bonds Maturing June 30, 2013</u>		<u>Bonds Maturing June 30, 2014</u>		<u>Certificates of Indebtedness Maturing June 30, 2000</u>	
\$37,090	6.875%	\$6,694	6.000%	\$49,953	6.000%	\$29,588	6.250%
6,694	6.000%	43,259	5.875%				
6,169	5.875%						

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STATEMENT OF ACCOUNT

ACCOUNT TITLE AND NUMBER

DISABILITY INSURANCE
TRUST FUND, 2820X8007

DESCRIPTION OF HOLDINGS AS OF: 9/30/99 INVESTED BALANCE: \$92,621,892,000.00

(Dollars in Millions)

Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
<u>Bonds Maturing June 30, 2000</u>		<u>Bonds Maturing June 30, 2001</u>		<u>Bonds Maturing June 30, 2002</u>		<u>Bonds Maturing June 30, 2003</u>	
\$1,116	7.000%	\$1,116	7.000%	\$1,116	7.000%	\$175	8.750%
265	6.875%	265	6.875%	265	6.875%	1,116	7.000%
2,148	6.500%	2,148	6.500%	2,148	6.500%	265	6.875%
		1,612	6.000%	1,612	6.000%	2,148	6.500%
		916	5.875%	916	5.875%	1,438	6.000%
						916	5.875%
<u>Bonds Maturing June 30, 2004</u>		<u>Bonds Maturing June 30, 2005</u>		<u>Bonds Maturing June 30, 2006</u>		<u>Bonds Maturing June 30, 2007</u>	
\$719	8.750%	\$719	8.750%	\$869	8.125%	\$917	7.375%
150	8.125%	150	8.125%	48	7.375%	1,116	7.000%
48	7.375%	48	7.375%	1,116	7.000%	265	6.875%
1,116	7.000%	1,116	7.000%	265	6.875%	2,148	6.500%
265	6.875%	265	6.875%	2,148	6.500%	696	6.000%
2,148	6.500%	2,148	6.500%	696	6.000%	916	5.875%
696	6.000%	696	6.000%	916	5.875%		
916	5.875%	916	5.875%				
<u>Bonds Maturing June 30, 2008</u>		<u>Bonds Maturing June 30, 2009</u>		<u>Bonds Maturing June 30, 2010</u>		<u>Bonds Maturing June 30, 2011</u>	
\$1,116	7.000%	\$4,180	7.000%	\$4,446	6.875%	\$4,446	6.875%
265	6.875%	265	6.875%	696	6.000%	696	6.000%
3,064	6.500%	696	6.000%	916	5.875%	916	5.875%
696	6.000%	916	5.875%				
916	5.875%						
<u>Bonds Maturing June 30, 2012</u>		<u>Bonds Maturing June 30, 2013</u>		<u>Bonds Maturing June 30, 2014</u>		<u>Certificates of Indebtedness Maturing June 30, 2000</u>	
\$4,446	6.875%	\$696	6.000%	\$6,058	6.000%	\$4,284	6.250%
696	6.000%	5,362	5.875%				
916	5.875%						

Marketable U.S. Treasury Bonds

\$4 of 8.250% bonds due May 15, 2000 - 2005

\$10 of 7.625% bonds due February 15, 2002 - 2007

\$30 of 11.750% bonds due February 15, 2005 - 2010

Supplemental Information

Chief Actuary's "Statement of Actuarial Opinion"



It is my opinion that (1) the techniques and methodology used herein to evaluate the financial and actuarial status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds are generally accepted within the actuarial profession; and (2) the assumptions used and the resulting actuarial estimates are, in the aggregate, reasonable for the purpose of evaluating the financial and actuarial status of the trust funds, taking into consideration the experience and expectations of the program.

Harry C. Ballantyne
Associate of the Society of Actuaries,
Member of the American Academy of Actuaries,
Chief Actuary, Social Security Administration

* Taken from the 1999 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.

Social Insurance Statement for Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Combined (For the 75-Year Projection Period Beginning with the Valuation Date)					
(In Billions)					
Old-Age and Survivors Insurance and Disability Insurance, Combined	Present Value^{1/} as of January 1 of:				
	1995	1996	1997	1998	1999
Estimated Future Tax Income	\$17,190.5	\$18,710.0	\$17,127.2	\$18,413.4	\$19,593.4
Estimated Future Expenditures	20,300.2	22,135.3	20,462.4	21,983.0	23,291.0
Excess of Estimated Future Tax Income over Estimated Future Expenditures	(3,109.7)	(3,425.3)	(3,335.2)	(3,569.6)	(3,697.5)
Trust Fund Assets at Valuation Date^{2/}	436.4	496.1	567.0	655.5	762.5
Excess^{3/} of Estimated Future Tax Income and Trust Fund Assets at Valuation Date over Estimated Future Expenditures	(2,673.3)	(2,929.3)	(2,768.3)	(2,914.1)	(2,935.1)

1/ Computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown. Totals do not necessarily equal the sum of rounded components.

2/ Equal to the excess of all income, including interest, over expenditures from the initial establishment of the trust funds to the valuation date.

3/ Equal to the present value (as of the valuation date) of the estimated trust fund assets at the end of the 75-year projection period.

Statement of Social Insurance Trust Fund Status

Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Combined

Each year workers in OASDI covered employment contribute a percentage of their earnings up to an annual maximum taxable amount to the OASI and DI Trust Funds. Contributions also include general fund appropriations for military service. Beneficiaries pay Federal income taxes on up to 85 percent of their Social Security benefits, and amounts equivalent to such income taxes are transferred from the general fund to the trust funds.

Workers who become insured receive benefits, along with their eligible spouses and children, after they retire or become disabled. After the death of an insured worker, eligible spouses and children receive survivor benefits. Expenses required to administer the OASI and DI programs are paid from the respective trust funds. Transfers are also made between the trust funds and the Railroad Retirement Board's (RRB) Social Security Equivalent Benefit Account, reflecting the difference between the OASDI contributions and benefits of railroad workers, which are directly administered by the RRB.

Various measures are used to compare projections of the tax income and expenditures described above in order to assess the long-range financial status of the OASI and DI Trust Funds. Measures that summarize or combine values over long periods of time necessarily include an adjustment to account for differences in the time-value of money. For programs with trust funds that have changing levels of assets over time as a result of receiving deposits (such as tax payments), accruing interest and making disbursements (such as benefit payments and costs of administration), it is appropriate to make that adjustment by means of an investment interest rate. In this case the adjusted values are referred to as "present values."

The table on the previous page includes present values of estimated future tax income to, and expenditures from, the combined OASI and DI Trust Funds. Present values are presented for five separate valuation dates, January 1 of each of the last 5 years, using the estimated income and expenditures for the 75-year period following each valuation date. These estimates are based on the intermediate assumptions defined in the Annual Reports of the Board of Trustees to the Congress for each of those valuation years.

The excess of estimated future income over estimated future expenditures, as presented in the table, represents the present value of the net cash flow over the long-range period. If this excess, combined with the starting trust fund assets as of the valuation date, is positive, it represents the estimated trust fund assets at the end of the 75-year projection period (expressed in

present value dollars); if negative, it represents the estimated magnitude of the unfunded obligation of the program for the 75-year projection period.

For the 75-year period beginning January 1, 1999, estimated future tax income is less than estimated future expenditures by \$3,697.5 billion. When the combined assets of the two trust funds as of January 1, 1999 (\$762.5 billion) are included, that estimated deficit is reduced to \$2,935.1 billion, the unfunded obligation of the program for the 75-year projection period. For comparison purposes, similar estimates made for the prior four reports of the Board of Trustees are also shown in the table.

When the Board of Trustees of the OASI and DI Trust Funds submits its annual report to the Congress, it is required to include "a statement of the actuarial status of the Trust Funds." One measure used to assess the actuarial status is the 75-year "actuarial balance" of the programs. The actuarial balance is a ratio of present values. The numerator of this ratio is equal to (a) the present value of tax income less the present value of expenditures, plus the trust fund assets at the valuation date (a negative amount represents the unfunded obligation for the 75-year period), augmented by (b) the present value of the estimated cost of reaching a "target trust fund" balance at the end of the 75-year period that is equal to the expenditures estimated for the 76th year. The cost of reaching this target trust fund balance is included in the actuarial balance because the trustees believe that the maintenance of such a minimal contingency reserve is needed. The denominator of the actuarial balance is the sum of the present values of the taxable payroll (i.e., the payroll subject to taxes payable to the OASI and DI Trust Funds, adjusted so that, when multiplied by the combined employer and employee tax rate, currently 12.4 percent, the product is the amount of payroll taxes due for earnings in the year) for each of the years in the 75-year projection period beginning with the valuation date.

For the Board's 1999 report, when the estimated cost of reaching the target trust fund assets (\$183.8 billion in present value) is added to the unfunded obligation (\$2,935.1 billion in present value), the result is an actuarial deficit (expressed in present value dollars) of \$3,118.9 billion. This amount, when divided by the estimated present value of taxable payroll (\$150,908.3 billion), results in an actuarial balance of -2.07 percent of taxable payroll, that is, an actuarial deficit of 2.07 percent of taxable payroll.

Adequacy of Trust Fund Financing

	Calendar Year					
○ Trends in factors affecting revenues	1949	1959	1969	1979	1989	1999
— Taxable wage base for coverage:						
Social Security	\$3,000	\$4,800	\$7,800	\$22,900	\$48,000	\$72,600
Medicare (HI)	NA	NA	7,800	22,900	48,000	No Limit
— Tax contribution & distribution rates:						
○ FICA tax rate (employers and employees, each)						
OASI (initiated 1937)	1.00%	2.25%	3.725%	4.33%	5.53%	5.35%
DI (initiated 1957)	NA	.25	.475	.75	.53	.85
HI (initiated 1966)	NA	NA	.60	1.05	1.45	1.45
Combined	1.00%	2.50%	4.80%	6.13%	7.51%	7.65%
○ SECA tax rate						
OASI (initiated 1951)	NA	3.375%	5.5875%	6.01%	11.06%	10.70%
DI (initiated 1957)	NA	.375	.7125	1.04	1.06	1.70
HI (initiated 1966)	NA	NA	.60	1.05	2.90	2.90
Combined	NA	3.75%	6.90%	8.10%	15.02%	15.30%
— Percent of benefits taxed	NA	NA	NA	NA	50.0% ¹	85.0% ²
○ Trends in factors affecting outlays						
— No. of beneficiaries (in millions) ³	2.7	13.7	25.3	35.1	39.2	44.7 ⁴
Retirees/dependents	1.7	9.9	16.6	22.7	27.9	31.0 ⁴
Survivors of deceased workers	1.0	3.3	6.2	7.6	7.2	7.1 ⁴
Disabled workers/dependents	NA	.5	2.5	4.8	4.1	6.5 ⁴
— Benefit payment COLA increase ⁵	NA	NA	NA	9.9%	4.0%	1.3%
— No. of workers per beneficiary ⁶	17.1	5.2	3.6	3.2	3.4	3.4 ⁴
— Retirement age						
Full benefits	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.
Reduced benefits	NA ⁷	62 yrs. ⁷	62 yrs.	62 yrs.	62 yrs.	62 yrs.

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

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

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

4 Estimated, based on the intermediate economic and demographic assumptions in the 1999 Trustees Report. Totals may not add due to rounding.

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

6 Per OASI beneficiary in 1949; per OASDI beneficiary in 1959, 1969, 1979, 1989 & 1999.

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

Management Follow-up to OIG Recommendations

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

For FY 1999, SSA began the year with 19 reports carried over from FY 1998 which contained approximately \$1 million in costs that management determined should not be charged to the Agency's programs (disallowed costs) and \$72 million which could be used more efficiently (funds put to better use). During the year, SSA has monitored and analyzed 9 audit reports that contained approximately \$3 million in disallowed costs and approximately \$13 million in funds which could be put to better use.

Management completed action on 5 audit reports containing 28 recommendations relating to Disability Determination Service initial disability claims

processing. As a result, over \$4 million was recovered in disallowed costs. In addition, SSA completed action on one recommendation related to the claims process and one related to the postentitlement process which will put nearly \$13 million to use more efficiently.

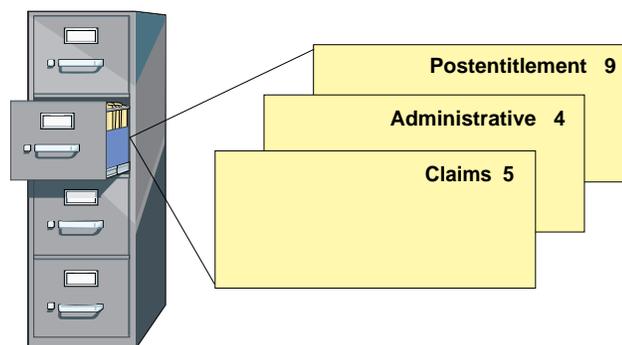
	# of Audit Reports Identifying Disallowed Costs	Amount of Disallowed Costs	# of Audit Reports Identifying Funds to be Put to Better Use	Amount of Funds to be Put to Better Use
Beginning of FY	6	\$1,286,472	13	\$72,256,182
New Audits During FY	6	\$3,313,786	3	\$13,469,879
Total Audits	12	\$4,600,258	16	\$85,726,061
Implemented Action	(5)	\$(4,173,478)*	(2)	\$(12,916,667)
End of FY	7	\$426,780	14	\$72,809,394

* Includes adjustments for 2 audit reports still open which total \$87,724.

SSA is currently tracking 21 audits containing 49 recommendations for which final action has not been taken. These audits contain nearly \$427 thousand in disallowed costs and recommended actions which when implemented could result in up to \$73 million being better used. The Agency is working to bring to close the 18 audits (see graphic below) more than 1 year old as well as continuing to work on the remaining three.

18 Audits Over One Year Old Requiring Final Action

(Categorized by Business Process)



Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see page 11 for more information). Section 206(g) of the Social Security Independence and Program Improvements Act, Public Law, 103-296, requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency along with a page reference for further discussion of these reviews.

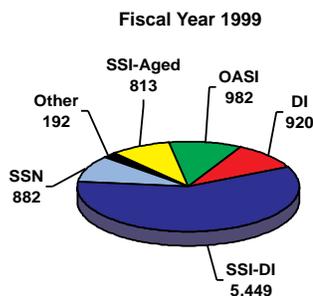
- OASI and SSI quality assurance reviews (page 88)
- Disability quality reviews (page 85)
- SSI redeterminations (page 69)
- CDRs (pages 19, 71 and 88)

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. SSA processed over 9 million alerts generated by these activities, resulting in overpayment savings of over \$7.5 billion in FY 1999. Most of the increase in alert volume and benefits was a result of the Agency's efforts in improving the payment accuracy of the SSI program.

Anti-Fraud Activities

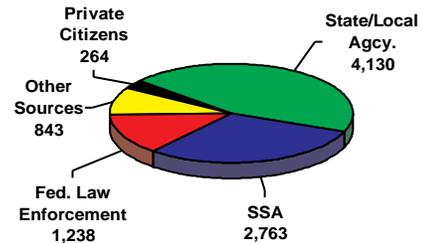
In FY 1999, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The following charts summarize OIG's involvement in fraud activities throughout the FY.

Total Fraud Cases by Category



Sources of All Fraud Case Referrals

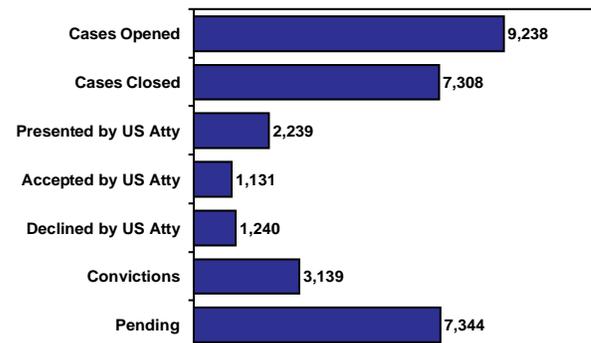
Fiscal Year 1999



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

Disposition of All Fraud Cases

Fiscal Year 1999



Debt Management

During the 1990's, SSA has focused on expanding its use of aggressive debt collection tools. As a result of its efforts, the Agency has had many noteworthy successes. In 1992, SSA implemented its tax refund offset (TRO) program to collect delinquent title II overpayments, in the process collecting over \$50 million in that year alone. In 1995 and again in 1998, the Agency expanded its use of the TRO program to include other classes of title II delinquent debts, as well as title XVI debts. To date, TRO has yielded almost \$250 million in debt collections.

In addition, SSA began using the Treasury Offset Program (TOP) in 1998. TOP assimilated the former TRO program and added the capability of using administrative offset, or collection of a debt from a Federal payment other than a tax refund. Also in 1998, SSA began reporting its delinquent title II debtors to credit repositories as a way to induce repayment of the delinquent debts. To date, SSA has reported over 60,000 delinquent debtors to two major credit repositories—Trans Union and Equifax Credit Information Services, Inc. As a result of credit bureau reporting, many debtors have repaid their debts in full or have resumed regular monthly payments of their debts.

FY 1999 saw a continuance of all of the foregoing debt collection activities. For example, SSA collected over \$33 million in delinquent title XVI debts via TOP in FY 1999 and over \$18 million in voluntary repayments. FY 1999 was also a time of planning and development of two major debt collection projects that are expected to yield direct collections of more than \$175 million over 5 years. The two projects, cross-program recovery and administrative wage garnishment, will enable SSA to collect both title II and title XVI delinquent debts.

Cross-program recovery was authorized as law in October 1998, and SSA immediately began developing

this tool. Implementation is planned for FY 2000. Administrative wage garnishment was authorized by the Debt Collection Improvement Act of 1996; it allows Federal agencies to serve garnishment orders directly upon a debtor's employer. SSA also plans to implement this tool in FY 2000.

In addition, SSA is also seeking legislation that will authorize the use of all available debt collection tools for recovering title XVI debts. These tools include interest charging, Federal salary offset, credit bureau reporting and the use of private collection agencies. This legislation is pending with Congress.

SSA continues to make progress in resolving a material weakness in SSI debt management reported to Congress in 1991 under the Federal Managers' Financial Integrity Act. The SSI Strategy plan prescribes implementing corrective actions on both reengineering and modernization tracks in concert with initiatives contained in the SSI 5-Year Plan. This initiative supports the Agency goals and objectives in the Strategic Plan by providing more complete and accurate information, reducing error rates and improving processing times through increased automation. In July 1999, SSA successfully implemented the Terminated Record Balancing and Debt Transfer project to improve control over SSI debt and continues to pursue further automation enhancements.

The collection data shown below and on the following page include all the program debt owed to SSA. Collection data shown in the GPRA Performance Report on page 72 only includes legally defined overpayments in which beneficiaries have certain due process rights.

FY 1999 Quarterly Data (Cumulative In Millions)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
◦ Total receivables	\$5,604.1	\$5,973.9	\$6,321.5	\$6,524.4
◦ Total collections	497.3	1,079.5	1,658.0	2,215.3
◦ Total writeoffs	148.7	344.0	578.5	807.6
◦ Treasury Offset Program collections	0.4	22.0	43.6	51.1
◦ Aging schedule of delinquent debt:				
— 180 days or less	\$381.8	\$395.4	\$452.9	\$480.1
— 181 to 10 years	427.2	446.6	376.3	389.9
— Over 10 years	0.0	9.3	9.5	9.9
— Total delinquent debt	\$809.0	\$851.3	\$838.7	\$879.9

SSA's Debt Management Activities

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Total Debt Outstanding end of FY (<i>in millions</i>)	\$4,543.2	\$4,973.8	\$5,119.1	\$5,727.3	\$6,524.4
◦ % of outstanding debt:					
– Delinquent	5.8%	6.6%	14.5%	14.6%	13.5%
– Estimated to be uncollectible	26.3%	27.5%	28.0%	29.0%	30.2%
◦ New debt as a % of benefit outlays	0.7%	0.8%	0.8%	0.8%	1.0%
◦ % of debt collected	37.8%	35.6%	38.9%	33.2%	34.0%
◦ Cost to collect \$1	\$0.13	\$0.12	\$0.09	\$0.11	\$0.11
◦ % change in collections from prior FY	5.7%	3.1%	12.4%	(11.9%)	16.5%
◦ % change in delinquencies from prior FY	9.9%	24.5%	125.1%	12.1%	5.4%
◦ Debt clearance rate	32.1%	30.0%	36.1%	30.1%	30.8%
◦ Collections as % of clearances	79.2%	79.7%	69.2%	76.2%	73.3%
◦ Total writeoffs of debt (<i>in millions</i>)	\$452.2	\$450.8	\$887.6	\$595.1	\$807.6
◦ Average number of months to clear receivables:					
– OASI	11	11	12	13	12
– DI	27	26	29	29	25
– SSI	29	28	25	23	20

GPRA Performance Report

The Government Performance and Results Act (GPRA) of 1993 requires agencies to develop and institutionalize processes to plan for and measure mission performance in the basic management cycle. Planning, execution and measurement are integral parts of the traditional management feedback loop. GPRA defines specific efforts, at the highest level, that Federal agencies must undertake to address this measurement process.

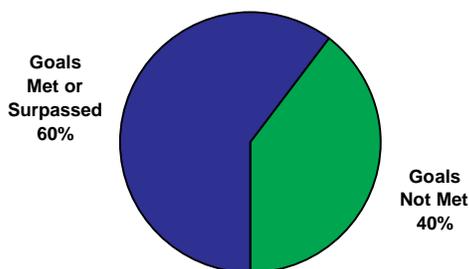
In response to the mandates of GPRA, SSA has developed a framework of performance indicators that better defines service from the perspective of our customers. That framework, SSA's strategic plan, "Keeping the Promise," released in 1997, provides the basis for SSA's GPRA Annual Performance Plan (APP). SSA's FY 1999 APP supports the goals set forth in SSA's strategic plan and serves as a link between the strategic plan and SSA's budget.

Outcome indicators included in SSA's FY 1999 GPRA Performance Report represent a critical bridge to accomplishment of SSA's longer-term strategic objectives. Some of these indicators have appeared in annual Business Plans previously published by SSA. Others were formulated as the new strategic plan was crafted. Still others represent "milestones" the Agency is striving to reach during the period covered by the performance plan and report.

FY 1999 Performance

During FY 1999, SSA was able to meet 60 percent of the FY 1999 goals set forth in the Agency's FY 1999 APP as shown below. Due to timing differences in studies conducted to obtain certain numeric performance data, FY 1999 data were not available at the issue date of this report for certain indicators. The approximate dates when this information should be available are provided later in this report.

Summary of Achievement FY 1999 Performance Goals*

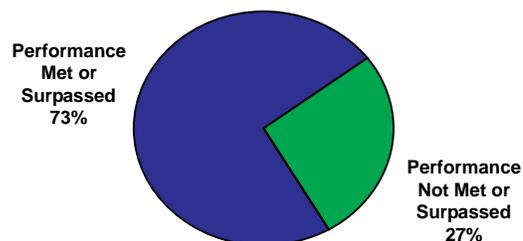


* Excludes indicators that do not have intermediate FY 1999 goals and indicators where FY 1999 actual data is unavailable.

The following chart shows that in FY 1999, 73 percent of the numeric indicators met or surpassed their FY 1998 performance. These results indicate a favorable trend in performance regardless of whether or not we met or exceeded the FY 1999 goal.

Comparison of FY 1999 Performance to FY 1998 Performance*

(Numeric Indicators Only)



* Excludes indicators where FY 1999 actual data is unavailable.

The Performance Report is categorized under the five strategic goals in the Agency's strategic plan and reports on 59 performance indicators which were included in SSA's FY 1999 APP. Numeric performance indicators as well as "milestone" indicators are shown under their respective strategic goals as defined in the APP. In addition to showing the actual data and goals for FY 1999 performance indicators, actual performance data for FYs 1996, 1997 and 1998 are included. Throughout the report we have used a red check mark (✓) to indicate when a goal was met. When calculating the percentages shown in the preceding pie charts, each check has a value of one except for indicators 17, 38, 41, 45, 47, 55 and 56. These indicators have two components and the value of each those components is .5.

Several performance indicators found in the FY 1999 APP contained performance goals for FY 1998 only. We addressed their actual performance in SSA's FY 1998 GPRA Performance Report which can be found on pages 60 - 69 of SSA's Accountability Report for FY 1998. However, to provide a complete picture of all performance indicators found in the FY 1999 APP, we have provided their current status in the Appendix to the performance report beginning on page 78.

In addition, several performance indicators and/or goals in the following report have been revised based on SSA's FY 1999 Operating Plan or

FY 2000 APP. These indicators have been noted. We are reporting against these revised performance indicators and/or goals. However, for each of these revised indicators/goals, we have also included the original FY 1999 indicator/goal from the FY 1999 APP. In the report, we have provided explanations for all goals that were not met, including the original FY 1999 APP goals.

SSA's final FY 2000 APP, submitted to Congress in February 1999, committed SSA to levels of performance concomitant with the funds requested. Our FY 2000 performance targets also were based on the most recent data and analysis, Agency consideration and decisions. Since that time, further Agency consideration based on our review of program performance information for FY 1999, as well as other data and analysis, have led SSA to revise some FY 2000 performance commitments.

Verification and Validation

SSA is committed to ensuring that those who use our reported performance information to make decisions can do so with the assurance that our data are valid and reliable. For example, pages 24 - 26 of this report discuss SSA's comprehensive program of conducting reviews of: (1) management and security controls in both SSA's administrative and programmatic processes; and (2) accounting controls in financial management systems. Also discussed are the results of the audit of the FY 1999 financial statements and internal controls by PricewaterhouseCoopers, the independent accounting firm. Such reviews and assessments assure that our systems are secure and confirm SSA's confidence in the reliability of its performance data.

Another method of verifying and validating our performance measures is through various program audits/evaluations conducted by our Office of the Inspector General (OIG). OIG has a four-point approach to reviewing SSA's performance measures:

- Assess SSA's systems capacity to produce performance data;
- Assess whether reported performance data is valid;
- Ensure that SSA has the appropriate measures to indicate vitality of its programs; and
- Ensure that the performance measures fully capture the program segments that they are intended to capture.

SSA will take appropriate action to correct any reported deficiencies. These actions may include disclosure of data gaps, changes in performance indicators, improvements to or additions of data collection systems or combinations thereof.

Also, the performance level for several indicators relating to the accuracy of our processes and public satisfaction comes from surveys and workload samples designed to achieve very high levels (usually 95 percent confidence level) of statistical validity. The Office of Quality Assurance and Performance Assessment reviews a stratified sample of recently completed actions and of ongoing entitlement rolls to determine the accuracy of SSA payments and service transactions. In addition, to help ensure the integrity of management information (MI) data, SSA implemented a Management Information Integrity Monitoring (MIIM) team in February 1998. The MIIM team serves as the clearinghouse for resolving allegations of inappropriate practices affecting MI. Line managers and staff throughout the Agency also review MI data regularly to identify anomalies and correct reporting problems.

Program Evaluation

SSA has vastly improved its program evaluation capacity by broadening the scope of its evaluation activities beyond studies of outputs and performance measures. The Agency has expanded its capacity to evaluate the outcomes of SSA's programs in terms of their effect on the lives of the American public. Evaluations are used to build models and create baseline information that can be used to address the Agency's long range issues. SSA has moved to multi-dimensional evaluations that coordinate quality, customer satisfaction, timeliness, etc., into a cohesive whole. An example of this is the Disability Redesign Full Process Model evaluation, which was the most complete and rigorous multi-dimensional intercomponent evaluation the Agency has undertaken. This evolved into the current Disability Prototype.

Program evaluations are independent systematic studies conducted to assess how well a program is working. SSA uses various types of program evaluations to examine program performance and context. The Agency prepares an annual Agency coordinated evaluation plan to ensure evaluation activities are in place for all the Agency's goals, objectives and business processes. The plan also ensures that there are no overlaps, duplications or gaps among the Agency's evaluating components' activities. The FY 1999 Agency Coordinated Evaluation Plan contained 263 scheduled evaluation activities, many of which were multi-year or recurring/ongoing projects. In addition to the ongoing, recurring periodic evaluations of accuracy, customer service, etc., the evaluation activities described below were completed in FY 1999. They focused on the Agency goals, objectives and business processes.

The findings from many of the Agency's evaluation activities are woven throughout various sections of this report, especially in the areas of quality, customer satisfaction and accuracy. Copies of the evaluation results can be obtained by contacting the Office of Strategic Management by mail at:

Office of Strategic Management
Social Security Administration
250 Altmeyer Building
6401 Security Blvd.
Baltimore, MD 21235.

There are four main types of program evaluation that SSA uses to learn the benefits of a program or how to improve it. They are:

- process evaluation;
- outcome evaluation;
- impact evaluation; and
- cost-benefit /cost-effectiveness analyses.

Many of SSA's evaluations are combinations of the above. Following are brief summaries of the evaluations completed in FY 1999.

Process (or implementation) evaluation assesses whether a program is operating as it was intended (i.e., conformance to statutory and regulatory requirements, program design, and professional standards or customer expectations). SSA conducted the following process evaluations for the Best-In-Business and World-Class Service goals:

- Disability Redesign - Evaluation of Full Process Model (FPM) , Full Process Model I and Full Process Model II were three evaluations of the impact of FPM and expanded rationales on productivity and processing time that evolved into the Disability Prototype.
- Law Manager Software on Scheduling in the Office of Hearings and Appeals (OHA) evaluated the impact of using Law Manager software to schedule hearings in OHA offices and determined manual scheduling is a labor-intensive process.
- Single Decision Maker Disability Process Change evaluated the impact of the Single Decision Maker on productivity, processing time and workforce with results showing a slight increase in Disability Determination Service (DDS) productivity.
- Videoconferencing evaluated the impact of taking disability claims and conducting disability hearings using videoconferencing technology on field offices, DDSs, and hearing offices in terms of productivity, processing time, and the workforce. Results indicate

that videoconferencing is a feasible option for use in SSA's claims processes. It appears better suited for the appeals process and works best in rural locations where substantial claimant/SSA employee travel is involved.

- Telephone Replacement Card Process evaluated the impact of processing telephone requests for "no change" replacement Social Security cards on productivity. The results indicate potential workyear savings and a reduction in the number of people who visit SSA offices that must be balanced with the possible increased risk of fraud.
- Modular Disability Folder (MDF) studied SSA's progress in implementing the MDF and measured the impact of the MDF on DDS and Hearing Office folder preparation times. The study concluded that the savings envisioned had not materialized as expected. Implementation recommendations included process modifications and procedural consistency.
- Modernized SSI Claims System Release 4.4 evaluated the impact of the release of new SSI software on productivity, processing time, and workforce. Results indicate an increase in task time that is counter-balanced by process improvements.

Outcome evaluations assess the extent to which a program achieves its outcome-oriented objectives. The focus is on outputs and outcomes (including unintended effects), but may also assess program processes. Following is a listing of the outcome evaluations the Agency completed in FY 1999:

- The online Internet Survey determined how much of SSA's website use is new workload versus workload shifted from the 800 number service of field offices. This survey also gathered Internet customer satisfaction information. The results indicate that SSA Online deflects far more work than it generates and that customer reaction to the website overall was very positive. The survey also confirmed that SSA has a strong constituency for the Agency's electronic service delivery initiatives.
- The 800 Number Customer Survey is conducted semiannually to determine the opinions and perceptions of callers to SSA's 800 number regarding SSA's telephone service. The results indicate that customer satisfaction has remained stable, with the 84 percent of respondents in the most recent survey rating service as "excellent," "very good" or "good." A contractor was used to conduct telephone interviews for this survey.

- The Customer Satisfaction Survey of the Disability Redesign Full Process Model focused on the effectiveness of the predecision interview and its influence on satisfaction for customers. Survey results indicated that the outcome of the claim was the strongest factor affecting overall satisfaction, with 91 percent of awarded claimants satisfied with SSA's service, as opposed to 60 percent of denied claimants. The insights from the survey are being used to improve communication with claimants. Another study based on this survey evaluated the impact on productivity, processing time and the workforce. This study indicated that employees generally reported a positive change in job satisfaction. Specific recommendations for training and mentor selection were made based on the survey to improve the model.

Impact evaluation assesses the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program. This form of evaluation is used extensively to assess the Responsive Programs goal. In FY 1999, the Office of Policy did impact evaluations on:

- The Overall Effects of Welfare Reform on SSA-Administered Programs;
- The characteristics of the people affected by the Drug Addiction and Alcoholism legislation (P. L. 103-296 and P. L. 104-121);
- The Effects of Changing the Retirement Earnings Test on individual's earnings and/or the timing of their retirement; and
- The Implications of Trends in Marriage, Divorce and Remarriage on the Social Security program.

Cost-benefit and cost-effectiveness analyses compare a program's outputs or outcomes with the costs (resources expended) to produce them. They determine the cost of meeting a single goal or objective and identify the least costly alternative to meet that goal. Following are those SSA conducted in FY 1999:

- IWS/LAN Administration Time Study evaluated the amount of resources required to support the IWS/LAN technology in operational components. The results showed no significant difference from original study findings.
- Corrective Action Tests/WorkYear Analysis to Establish Means for Implementing Recommendations are ongoing tests and research projects that focus on high-impact workloads and opportunities for increased automation to improve accuracy and administrative cost efficiency. These tests and projects, used to devise automated solutions to correct inaccurate records and inefficient processes, led to new processes to correct adjustment of reduction

factor/delayed retirement credits and Automatic Earnings Reappraisal Operations (AERO) underpayments. The prototype systems developed from this activity have thus far handled more than 1 million actions.

The Office of the Inspector General, Office of Audit (OIG/OAO) also contributes to SSA's efforts to assure audit and evaluation coordination and coverage of SSA goals, objectives, key initiatives and business processes. OIG/OA conducts the following types of audits and evaluations:

- **Financial statement audits** provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles and the entity has complied with laws and regulations that may have a material effect on the financial statements.
- **Financial-related audits** determine whether financial information is presented in accordance with established or stated criteria, the entity has adhered to specific financial compliance requirements, or the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.
- **Economy and efficiency audits/evaluations** determine whether the entity is acquiring, protecting, and using its resources economically and efficiently, the causes of inefficiencies, and whether the entity has complied with laws and regulations on matters of economy and efficiency.
- **Program audits/evaluations** determine the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, the effectiveness of organizations, programs, activities, or functions, and whether the entity has complied with significant laws and regulations applicable to the program.

For a detailed explanation of specific reports see the Office of the Inspector General - Office of Audit section of this report. A discussion of the Agency's goals and performance indicators follows.

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

The ultimate intent of this goal is for SSA to help create responsive programs - programs that provide value by meeting the needs of the varied constituents today and adapting to the changing needs of constituents tomorrow. For the FY 2000 APP, SSA revised the strategic objectives, indicators and performance goals under this strategic goal to more accurately reflect the Agency's responsibility for providing information and policy options and for working to improve program outcomes to the greatest possible extent.

The major objectives for this strategic goal for FY 1999 are:

- To support the principles of social adequacy and individual equity in the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs.
- To support a Supplemental Security Income (SSI) program that provides appropriate benefits to the nation's most needy aged, blind and disabled people and links effectively with other assistance programs.
- To support the executive and legislative branches in a bipartisan effort to preserve Social Security for the long run.
- To decrease the need for long-term disability benefits by helping people return to the workplace.
- To build and strengthen SSA's capacity to undertake necessary research, evaluation, policy development and actuarial studies for the Social Security and SSI programs.

Return to work

1. **Implement the "Ticket to Independence" Program contingent upon enactment of legislation in FY 1998**

FY 1999 Goal - Implementation begun

FY 1999 Actual - (√) The legislation for the Ticket to Independence Program was not enacted in FY 1999. The Senate has passed S.331, "The Work Incentives Improvement Act of 1999." The House has passed a similar bill, H.R. 1180. The bills are currently in conference. The Agency has begun developing implementation strategies in anticipation of enactment of this bill. 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.

Adequacy/Equity

2. **Conduct the Disability Evaluation Study (study fielded by FY 2000; final report issued by FY 2001)**

FY 1999 Goal - NA

FY 1999 Actual - 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 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.

Review of the proposals was extensive, including 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.

3. **Complete testing of a prototype on an improved method for making sound decisions regarding the capacity for persons with disabilities to work (by FY 2001)**

FY 1999 Goal - NA

FY 1999 Actual - SSA is continuing to test the prototype for software that will enable persons with disabilities to make informed decisions about the effect work and earnings will have on Social Security benefits and net income from certain other Federal benefits.

In FY 1999, SSA awarded a contract to study the feasibility of adding information about Federal food stamp and housing subsidies and State-provided benefits. If feasible, such information would be added to the decisional software beginning in FY 2000.

4. **Complete all currently planned return-to-work research and analysis (by FY 2002)**

FY 1999 Goal - NA

FY 1999 Actual - The 12 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.

Social Security Research

5. **Conduct planned research and policy evaluation necessary to assist the Administration and Congress in devising proposals to strengthen and enhance the Social Security program**

FY 1999 Goal - Research and evaluation continued

FY 1999 Actual - (√) SSA 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.

SSA evaluated a number Social Security reform proposals that were designed to alleviate poverty among aged women. These analyses were provided to the White House, other Federal agencies and members of Congress.

SSA produced estimates of those in the nonapplicant population who are medically eligible for benefits under SSA's disability programs (DI and SSI). These estimates were used in studying the possible effects of increasing SSA's early retirement age.

The Agency completed a report that provides an overview of the more important studies of lifetime redistribution under Social Security's OASI and DI programs. The report considers both studies that focus on redistribution across generations of workers and studies that focus on the distribution of outcomes across different groups of interest (varying, for example, by earnings level, race, gender or family status) within particular generations.

SSA completed a study of employer pensions that integrate benefits with Social Security designed to compare the characteristics of individuals who are covered under integrated pension plans with people covered by nonintegrated plans and with no pension plans.

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

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

The major objectives for this strategic goal are:

- By 2000, to increase the range of program and information services available to customers over the phone or electronically.
- To raise the number of customers who receive service and payments in a timely manner.
- By 2002, to have 9 out of 10 customers rate SSA's service as good, very good or excellent, with most rating it excellent.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Access					
6. Percent of callers who successfully access the 800-number within 5 minutes of their first call	83.0%	96.2%	95.3%	95%	95.8% ✓
7. Percent of callers who get through to the 800-number on their first attempt	NA	92.7%	91.1%	90%	92.9% ✓

Discussion (indicators 6,7) - The Agency exceeded both goals in FY 1999 and improved on its performance from FY 1998. The access goals were met through enhanced network and computer technology to more effectively balance incoming calls among the call centers and through the use of automated services to handle calls that do not require interaction with an agent.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
8. Percent of public with an appointment waiting 10 minutes or less	84.8%	84.9%	87.4%	85%	84.6%

Discussion - The actual percentage of the public who were seen within 10 minutes or less of their appointment was 84.6 percent, just under the FY 1999 plan. With increased stewardship responsibilities and increases in redeterminations, continuing disability reviews and alerts, more appointments were made in 1999 than in the past. We expect this trend to continue. The performance goal was set at an approximate level and the deviation from that level is slight.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
9. Percent of public without an appointment waiting 30 minutes or less	70.0%	72.7%	71.9%	70%	71.6% ✓

Discussion - Despite the demands on staff to meet the heavy appointment traffic, we were able to exceed the 70 percent goal of serving the public without an appointment in 30 minutes or less.

10. **Complete development of SSA standards for client authentication and establish a leadership role in governmentwide authentication policy⁽¹⁾**

FY 1999 Goal - Standards developed; leadership role established

FY 1999 Actual - Based on experience gained with the early Internet services, SSA found that it was not feasible to develop authentication standards as previously planned and changed our strategy to a more appropriate one. Instead, SSA is in the process of developing a methodology for making application-specific authentication policy decisions. This will be an ongoing effort. The methodology will evolve over time as different types of electronic services are undertaken and its effectiveness is evaluated.

During 1999, SSA continued to demonstrate leadership through participation in government and private sector policy-making bodies and demonstration projects. In addition, SSA was requested and accepted the responsibility for developing and managing the governmentwide Access America for Seniors website which gives the public a single gateway to information and services of interest to aging citizens. SSA also was instrumental in the development of the governmentwide contract for digital signature technology to be used by the public in requesting government services.

11. **Take retirement or survivor claims immediately over the telephone, or in person, as long as applicant has all the information needed⁽²⁾**

FY 1999 Goal - Accomplished by or before September 2000

FY 1999 Actual - On November 16, 1998, SSA began to pilot an immediate claims service option for customers who contact us on the national 800 number to file a claim for retirement or survivors (RSI) benefits. The process, which is being piloted in selected areas, is to be rolled out nationally by September 2000. The pilots began with immediate claims taking sites in the Albuquerque Teleservice Center, Great Lakes Program Service Center, Southeastern Program Service Center and selected field offices in the Atlanta, Chicago and Dallas Regions. In January 1999, sites in the Mid-America, Western and Mid-Atlantic Program Service Centers started taking immediate claims, and in March 1999, a new site opened in the Northeastern Program Service Center. We are collecting data from the pilot sites to determine the public demand for the immediate claims taking service, as well as the best process and technology for achieving the project objective.

The public response to immediate claims taking has been favorable, so we have been slowly expanding the service area of the pilot to customers living in additional selected area codes. As a result of these expansions, the immediate claims taking pilot area currently includes about one-half of the area codes in New York, about two-thirds of the area codes in California, and all the area codes in 16 other States.

Through the week ending October 1, 1999, the pilot sites have taken 20,668 RSI applications. We are planning to proceed with the rollout of the immediate claims taking process beginning in early spring 2000 and proceeding through September 2000 for full national access to the immediate claims taking service.

12. **Provide overnight electronic Social Security number verification for employers⁽²⁾**

FY 1999 Goal - Accomplished by or before September 2000

FY 1999 Actual - This project is to provide the business community (employers) who have personal computers (PC) and modems with overnight name and SSN verification services electronically. Currently, SSA's verification services for employers are limited to telephone requests for five or fewer employees or the submission of requests on magnetic media or paper listings. These methods are labor-intensive and time-consuming for both SSA and employers. Work has been initiated to design and implement an Internet based system. The system is due to become operational in September 2000.

13. **Give employers the option to transmit wage reports to SSA electronically using a personal computer or high-speed data transmission lines⁽²⁾**

FY 1999 Goal - Accomplished by or before September 2000

FY 1999 Actual - This initiative is to provide the business community with convenient and inexpensive electronic options for filing wage reports (Forms W-3/W-2). Two market segments are being targeted: small to medium size companies who could transmit their wage reports using PCs and modems; and large companies who could transmit their submissions over high speed data transmission lines. This effort is currently on schedule.

SSA plans to offer a full suite of Internet filing services for the business community within the next 2 years. A pilot system will be implemented in 2000 for tax year 1999 filings. Among the services that will be provided include system registration, filing status, error information, filing instructions, and customer support.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
<i>Processing Times</i>					
<u>Disability and Appeals Processing</u>					
14. Initial disability claims processing times (days)	89	99	100	100	105
15. Percent of DI claims decided within 6 months after onset or within 60 days after effective filing date, whichever is later⁽¹⁾	57.5%	52.4%	51.3%	53%	49.2%
16. Percent of SSI disability claims decided within 60 days of filing⁽¹⁾	29.5%	25.0%	24.4%	26%	22.3%

Discussion (indicators 14 - 16) - In FY 1999, ten disability determination services (DDSs) began preparations 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. All the DDSs were also called upon to complete the highest number of full medical continuing disability reviews (CDRs) ever processed. To some degree, this emphasis on CDRs also detracted from their ability to meet the initial case goals. In addition, the Agency's emphasis on up-front quality decisions also impacted initial case processing times, dispositions and pendings.

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 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. SSA plans 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 decision maker; 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 were 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.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
17. a. Hearings processing time (days)- September	392	397	341	274 ⁽³⁾	317
Original FY 1999 APP Goal				284	

Discussion - After steadily declining all FY to a low of 298 days in August, processing time rose to 317 days in September, or 43 days above the 274 day goal. This September anomaly occurred because Medicare cases, which had an average processing time of 464 days in September, constituted more than double the usual proportion of Medicare cases in total dispositions. We expect the downward trend in monthly processing time, reflected in the 298 day processing time achieved in August, to continue throughout FY 2000.

The FY 1999 average processing time for SSA cases was 301 days. The September SSA case processing time of 276 days represents a 48 day decrease since the beginning of FY 1999 and the lowest average processing time for SSA cases since FY 1994.

SSA will no longer be reporting the September average for Hearings Processing Time. In future reports, SSA will measure the FY average processing time for all cases as shown in indicator 17b.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
b. Hearings processing time (days)- Annual average	379	389	372	313 ⁽⁴⁾	316

Discussion - The FY 1999 average processing time for hearings was 316 days, about 56 days less than the FY 1998 average processing time, and just 3 days short of the goal of 313 days. The performance goal was set at an approximate target level, and the deviation from that level is slight.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
18. Percent of hearings decisions made and notices sent within 120 days of filing⁽¹⁾	10.1%	10.0%	14.0%	15%	14.2%

Discussion - The actual percent of cases decided and notices sent within 120 days was 14.2 percent for September. 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. The performance goal was set at an approximate level, and the deviation from that level is slight. Although SSA missed the target goal for FY 1999, the overall performance trend for this indicator is positive.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
<u>Other Claims Processing</u>					
19. Percent of OASI claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later	84.3%	82.9%	82.6%	83%	84.3%✓

Discussion - One of the major elements in providing “World-Class Service” to our customers is to ensure their claims for benefits are processed accurately and payments are made timely. In FY 1999, the timeliness of payments to our OASI beneficiaries increased by 1.7 percentage points over FY 1998. In FY 1998, the Agency processed 82.6 percent of the OASI claims in a timely manner compared to an increased percentage of 84.3 percent for FY 1999. The FY 1999 national goal for this timeliness measure was 83 percent and the Agency not only met, but also exceeded this goal. An Agency commitment to make timely and accurate payments to all SSA customers continues to be one of our highest priorities.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
20. Percent of initial SSI Aged claims processed within 14 days of filing	66.4%	59.5%	54.2%	66%	63.5%

Discussion - SSI Aged claims processing time for FY 1999 decreased significantly from FY 1998 and more closely mirrors the “pre-welfare reform” time. SSI Aged processing time was skewed for the majority of FY 1998 by inclusion of disability time for non-citizen SSI Aged alien cases that required a disability determination. Processing times improved from 32.6 days in FY 1998 to 20.8 days for FY 1999. The SSI Aged timeliness measure of 66 percent for FY 1999 was not met. Meeting this goal in the first half of FY 1999 proved to be a challenge. However, after an issue concerning the computation used in determining this measure was clarified, the timeliness percentage for this goal improved. Additionally, the small volume of this workload makes it vulnerable to cases with unavoidably high processing times. However, the Agency met or exceeded this measure’s goal in each of the last five months of FY 1999. SSA has not wavered in its commitment to the timely payments of all benefits, and fully expects to meet or exceed the SSI Aged timeliness measure for FY 2000.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
<u>Social Security Number (SSN) Cards</u>					
21. Percent of original and replacement Social Security cards issued within 5 days of receiving all necessary documentation	96.9%	98.2%	99.7%	97%	99.0% ✓

Discussion - The public’s lifetime earnings records are used to determine eligibility and benefit amounts. As such, they must be maintained and safeguarded. SSNs are crucial to the accuracy and protection of these earnings records. The issuance of new and replacement numbers must be prompt and efficient. For the last 2 years, the Agency has processed all requests for new and replacement SSN cards within five days of receiving all necessary documentation, at 99.7 and 99.0 percent, respectively.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
<u>Customer Satisfaction⁽⁵⁾</u>					
22. Percent of public rating SSA service as “good” or “very good”⁽⁶⁾	79%	85%	82%	87%	88% ✓

Discussion - The increase in overall satisfaction from 82 percent in FY 1998 to 88 percent in FY 1999 is significant. However, the improvement cannot be attributed to just one or a few specific activities. The largest increase in overall satisfaction ratings this year came from DI and SSI respondents, even though they were not involved in any of the disability redesign prototype activities currently underway. It may be that the principles and practices of redesign are spilling over into the traditional disability claims processing, i.e., employees are more conscious about communicating with customers and advocates.

In looking at data from other sources to help explain the increase in satisfaction, we note an extremely high satisfaction rate with 800 number callers who had their business completed in one contact. Systems upgrades have helped employees process work better and provide more complete service at the first point of contact, and this may have had an impact on the increase in overall satisfaction. Satisfaction with 800 number and field office telephone access increased, as well as satisfaction with the clarity of mail (which went up 5 percentage points - see indicator 24). Because we know from our surveys that telephone access and clarity of notices have a significant impact on overall satisfaction, we can surmise that efforts to improve telephone access and our notices have played a role in the increase in overall satisfaction.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
23. Percent of public “satisfied” or “very satisfied” with the courteousness of SSA staff⁽⁷⁾	85%	85%	87%	90%	90% ✓

Discussion -The Intelligent Workstation/Local Area Network (IWS/LAN) rollout and the addition of more services and information on the Internet have provided direct contact employees with the tools and time to provide more comprehensive and complete service at the first point of contact. This, in turn, has a direct link in enabling employees to provide courteous service.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
24. Percent of public who are “satisfied” or “very satisfied” with the clarity of SSA mail⁽⁷⁾	78%	82%	81%	82%	86% ✓

Discussion - The increase in satisfaction with SSA mail from 81 percent in FY 1998 to 86 percent in FY 1999 is significant. There were two major notice improvements that contributed to the increase in customer satisfaction with notices: 1) The On-Line Notice Retrieval System (ONRS), which has the potential to affect all SSA beneficiaries who contact the Agency about a notice; and 2) the plain language rewrite of overpayment recovery and accounting notices that are sent to approximately 2.5 million beneficiaries annually.

For the first time, using ONRS, field employees were able to easily view a copy of any automated notice that SSA sends. This allows for quicker, more accurate service to those inquiring about a notice they received. The new, personalized, one page overpayment recovery and accounting notice is a much-improved replacement for the old, cumbersome, multi-use form letter that preceded it.

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

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

The major objectives for this strategic goal are:

- To position the Agency’s resources and processes to meet emerging workloads.
- To maintain current levels of accuracy and timeliness in posting earnings data to individual’s records.
- To make benefit payments in the right amount.
- To become current with statutory requirements for DI and SSI CDRs by 2002.
- To increase debt collections by 7 percent annually.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
<i>Position Agency to Meet Emerging Workloads</i>					
<i>Disability and Appeals Workloads</i>					
25. Number of initial disability claims processed	2,360,034	2,187,263	2,024,524	2,090,000 ⁽³⁾	2,013,089
Original FY 1999 APP Goal				2,117,900	

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
26. Initial disability claims pending	510,454	399,392	416,378	408,000 ⁽³⁾	457,823
Original FY 1999 APP Goal				410,188	

Discussion (indicators 25, 26) - See discussion for indicators 14, 15 and 16 for rationale on not meeting targets and what SSA will do in the future to correct it.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
27. Number of hearings processed	580,832	574,795	618,578	650,000	596,999

Discussion - Several factors hampered our ability to reach the target. Lower than budgeted receipts created imbalances between receipts and SSA's Office of Hearings and Appeals (OHA) staff allocations that required increased case transfers, increased Administrative Law Judge (ALJ) travel, etc., resulting in lost productivity by ALJs and support staff. In addition, higher, and earlier, than expected ALJ attrition resulted in a decline of dispositions in FY 1999 due to lower ALJ staffing than projected. Other factors included the change in the mix of cases (more complex cases requiring more vocational and medical expert testimony) and more Medicare cases, as a percent of total (10 percent overall). The Medicare workload rose about 8 percent in FY 1999.

Our strategy for dramatically improving the hearing adjudication process in FY 2000 will be through implementation of the Hearings Process Improvement (HPI) plan. HPI focuses on three major areas: process improvements, group-based accountability, and automation and data collection improvements. Under HPI, more cases will be processed without the need for additional resources. OHA also will continue to aggressively pursue other national and regional opportunities for increasing dispositions in FY 2000.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
28. Hearings pending	510,895	483,712	384,313	288,000 ⁽³⁾	311,958
Original FY 1999 APP Goal				311,599	

Discussion - Please refer to the discussion for indicator 27 for rationale on not meeting targets and what SSA will do to correct it. OHA reduced the hearings pending in FY 1999 by 72,355 cases. The pending decreased in each month during FY 1999. The end of year pending level of 311,958 is the lowest since FY 1992.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
29. OASI claims processed	3,058,745	3,129,238	3,020,268	3,142,600	3,076,937

Discussion - The intake of new claims accounts for the majority of SSA's total workload. In FY 1999, we did not reach our target goal because the projected workload did not materialize. In spite of nonachievement of the target goal for FY 1999, the overall performance trend for this indicator is positive.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
30. SSI Aged claims processed	161,649	125,680	135,442	145,500	148,382 [√]

Discussion - The volume of SSI Aged claims processed in FY 1999 exceeded the target. Despite the unique differences in the qualifying factors for SSI Aged claims versus OASI claims, SSA processed a significantly higher number of SSI Aged claims in FY 1999 than in any of the three previous years. FY 1999 represented a year in which SSA recovered from the affects of Welfare Reform Legislation, and used the necessary resources to contact and obtain applications from our SSI Aged population. This work effort resulted in an increased number of SSI Aged claims processed for FY 1999. SSA expects its progress to continue in the next fiscal year.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
31. SSI non-disability redeterminations	1,762,967	1,772,818	1,852,842	2,091,600	2,122,279✓

Discussion - In FY 1999, the Agency considered the processing of the SSI redetermination workload a top priority. As a result, this workload was closely monitored and emphasis was placed on their timely processing. SSA not only met, but exceeded the target for the processing of its FY 1999 SSI redeterminations. The additional resources that were made available to process specific types of redeterminations proved to be instrumental in enabling SSA to meet our goal. SSA has taken steps to upgrade or modify the system used to track the redetermination workload. In doing so, we expect to be better positioned to meet the challenges of FY 2000, as it is projected that the processing of even more redeterminations will be required.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
32. Representative payee actions	6,936,772	6,295,379	7,063,595	6,948,400	7,644,563✓

Discussion - In FY 1999, SSA exceeded the goal in this workload category. SSA recognizes that our responsibilities do not end with the issuance of a check that is paid accurately and timely. We are required to designate a representative payee for many of our beneficiaries. SSA must investigate the suitability of the payee and make a determination whether he/she is suitable to continue serving as payee. To further improve performance, the Representative Payee System is being modified/enhanced to better document the payee selections made and to guard against the selection of payees that have previously been determined to be unsuitable. The Representative Payee System continues to be a work in progress. Expected future enhancements will provide more data that can be used to identify suitable payees as well as improve the accountability process.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
33. SSN requests processed	15,944,788	15,523,338	16,200,000	16,600,000	16,322,588

Discussion - In FY 1999, the Agency did not meet the target goal of SSNs processed because the projected SSN workload did not materialize. In FY 1999, SSA processed more SSN requests than in any previous year. The overall performance trend for this indicator is positive.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
34. 800-number telephone calls handled	48,000,000	55,500,000	54,700,000	55,500,000	58,800,000✓

Discussion - The Agency handled 58.8 million calls which is the highest number of calls served in the history of the national 800 number. This is due to enhanced network and computer technology which more effectively balanced incoming calls among the call centers and through the use of automated services to handle calls that do not require interaction with an agent.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
35. Annual earnings items	239,958,058	249,123,545	266,011,984	254,500,000	249,868,000

Discussion - Annual earnings items reflect the total number of paper annual wage items processed through the balancing operation plus the total number of magnetic media and self-employment items posted for FY 1999. Although SSA did not achieve the target goal, our performance is good. As of September 24 (the end of the FY for management information purposes), SSA had achieved 98 percent of its FY 1999 goal of posting 254.5 million annual earnings items. SSA's performance level was directly affected by the fact that the magnetic media submittal of a large third-party filer, representing approximately 7 million wage items, was not completely processed until October 9. Had those items been completely processed 2 weeks earlier, SSA would have exceeded its FY 1999 posting goal.

SSA plans to pursue a number of initiatives to help ensure that it meets its FY 2000 goal of posting annual earnings items:

- Develop improved management information which will track magnetic media submittals by processing location, provide processing time, and provide the number of wage items associated with each submittal;
- Target and track large submitters to ensure their submittals are processed timely;
- Begin follow-up on magnetic media returns and corrections earlier in the tax year (TY) process (the follow-up process for TY 1998 began in July); and
- Improve communications between SSA components as well as between SSA and the employer community.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
36. Percent of earnings posted to individuals' records by September 30	97.3%	97.8%	98.5%	98%	95.3% est.

Posting Earnings Data

Discussion - SSA's FY 1999 actual of 95.3 percent represents the number of TY 1998 earnings items posted through October 2, 1999 divided by the estimated total earnings items to be posted for TY 1998. (The TY 1998 database will not close until early in calendar year 2000.) SSA fell short of the 98 percent goal primarily because the magnetic media submittal of a large third-party filer, representing approximately 7 million wage items, was not completely processed until October 9 (see Item 35 above). Had those items been processed 2 weeks earlier, SSA would have achieved its 98 percent goal.

SSA plans to pursue a number of initiatives to help ensure that it meets its FY 2000 goal of posting 98 percent of earnings items to individuals' records by September 30 (see item 35 above).

This performance goal is based upon an estimate of the total earnings items to be posted for TY 1998. The actual FY 1999 information should be available by the end of January 2000. 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 (e.g., the quality of data received from submitters, the promptness of a submitter's refiling magnetic media that SSA returned for correction). (This indicator does not include earnings from self-employment reported to SSA by the Internal Revenue Service.)

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
37. Percent of earnings posted correctly	99.0%	99.0%	99.0%	99%	99.0% ✓

Discussion - SSA met its FY 1999 goal of posting correctly 99 percent of TY 1998 earnings. SSA's automated paper process in the Wilkes-Barre Data Operations Center helps to ensure that earnings reported via paper are posted accurately. SSA has a number of online reference sources (http://www.ssa.gov/employer_info) to support the accuracy of earnings reported via magnetic media. The cited website offers the following information to employers and third-party filers:

- AccuWage/AccuW2C software (checks for more than 200 different types of errors before the file is transmitted to SSA);
- Wage Tips for Magnetic Media and Electronic Filers (cites common types of errors and provides hyperlinks to both SSA's magnetic media reporting guidelines and IRS' reporting requirements);
- Details on the new Integrated Registration for Employers and Submitters process to be implemented on December 1, 1999 (which will include a number of security features including a Personal Identification Number);
- A 93-page booklet with instructions on magnetic media reporting for TY 1999, when submitters will begin transitioning to the new Magnetic Media Reporting and Electronic Filing specifications (a single record format which will be used for reporting either domestic or territorial reports).

SSA has Employer Services Liaison Officers distributed throughout the country to respond to questions from employers and third-party filers, as well as an Employer Reporting Service Center (1-800-772-6270). These services, combined with SSA's initiatives to increase electronic wage reporting, should ensure that SSA continues to meet its 99 percent performance goal for the accuracy of posted earnings.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Accuracy					
38. Dollar accuracy of OASI payment outlays:					
Percent without overpayments	99.8%	99.9%	99.9%	99.8%	NA ⁽⁸⁾
Percent without underpayments	99.8%	99.9%	99.9%	99.8%	NA ⁽⁸⁾
39. DDS decisional accuracy	96.9%	96.5%	96.2%	97%	NA ⁽⁹⁾
40. Percent of SSNs issued accurately	99.6%	99.9%	99.8%	99.8%	NA ⁽¹⁰⁾
41. Percent of 800-number calls handled accurately:					
Payment accuracy	94.4%	95.2%	94.7%	95%	95.4%✓
Service Accuracy	80.8%	84.3%	81.7%	90%	81.0%

Discussion - Payment accuracy is a measure of whether 800 number representatives respond correctly to inquiries related to eligibility and payment of benefits. Service accuracy is a measure of whether 800 number representatives respond correctly to inquiries related to issues other than payment and eligibility. The actual FY 1999 data presented above represents the 6-month period ending March 31, 1999. Actual FY 1999 information should be available in January 2000.

The payment accuracy goal of 95 percent was exceeded in FY 1999 with an accuracy rate of 95.4 percent. Service accuracy was 81 percent which is consistent with previous years. Disclosure accuracy remains problematic and is a significant factor in service accuracy performance. To improve quality, SSA has implemented software which helps agents to respond correctly to frequently asked questions. Data obtained from SSA's service observation activities are also used to determine ongoing training initiatives.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Continuing Disability Reviews (CDRs)					
42. Number of periodic CDRs processed	498,445	690,478	1,391,889	1,637,000	1,703,414✓
43. Percent of multi-year CDR plan completed	6.1%	13.5%	27.7%	44%	45.9%✓

Discussion (indicators 42, 43) - In the program management and stewardship area, SSA conducts periodic reviews called continuing disability reviews (CDRs) to determine whether individuals receiving disability benefits have medically improved so that they are no longer disabled and 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. 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.

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. SSA estimates benefit savings for the OASDI and SSI programs in FYs 1996 through 2002 resulting from CDRs processed in those years to 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.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Debt Collection					
44. Annual increase in debt collected ⁽¹⁾	8.1%	13.0%	(3.4%)	7%	11.5%√
45. Overpayment dollars collected ⁽⁴⁾ (in millions):					
OASDI dollars collected	\$1,078.3	\$1,186.5	\$1,103.4	\$1,180.6	\$1,191.5√
SSI dollars collected	\$423.9	\$511.0	\$539.2	\$576.9	\$640.0√

Discussion (indicators 44 and 45) - SSA's current 7 percent goal represents the average increase in debt collections over the last five years and therefore requires SSA to maintain existing performance. Although SSA did not implement any new debt collection provisions this fiscal year, we were able to meet the FY 1999 goal. This is a result of the Agency focus on aggressively pursuing delinquent debtors by using all available debt collection tools.

We are developing a new debt collection measure for future APPs. Our new measure will establish a targeted percentage of debt that is in a repayment arrangement or newly established and that is being collected by the Agency. Until this new goal is available, we will continue with the existing goal and reevaluate the percentage at the end of each fiscal year.

Original FY 1999 APP Goal ⁽¹¹⁾ (OASDI and SSI combined - in millions)	\$1,502.7	\$1,698.0	\$1,642.6	\$1,936.0	\$1,831.5
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Discussion of Original FY 1999 APP Goal - SSA did not meet the original FY 1999 APP goal because this goal was established before FY 1998 actual information was available; i.e., it represented a 7 percent increase over projected collections for FY 1998. The revised FY 1999 goal of \$1,757,500,000 represents a 7 percent increase over the FY 1998 actuals and was exceeded.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Anti-Fraud Activities					
46. Number of allegations that will be opened as investigations	1,354	5,455	6,291	5,700	9,238√
47. Dollar amounts reported from investigative activities ⁽⁴⁾ (in millions):					
OASDI dollars reported	NA	NA	NA	\$17.0	\$45.0√
SSI dollars reported	NA	NA	NA	\$18.0	\$140.0√
Original FY 1999 APP Goal (OASDI and SSI combined)	\$9.3	\$28.0	\$61.7	\$35.0	\$185.0
48. Number of criminal convictions	570	2,507	2,762	1,800	3,139√

Discussion (indicators 46-48) - The increase in 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 to 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 resulted in significant savings to SSA were the Cooperative Disability Investigations (CDI) teams and SSI eligibility

fraud projects. For example, the CDI teams accounted for \$2.8 million in 1998. That number rose to \$23 million in 1999. The same growth pattern was evident in the eligibility fraud projects that are referred in the Inspector General's Report to Congress. Millions of dollars in savings were reported from New York City alone.

The OIG is attempting to develop better tools for predicting performance.

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

Unlike our four other strategic goals that address SSA's core functional responsibilities, this goal addresses the Agency's most important asset—the employees of SSA and the DDSs. The focus of this goal is to ensure that SSA continues to have the highly skilled, high performing and highly motivated workforce that is critical to achievement of our mission. It also reflects SSA's conviction that employees deserve a professional environment in which their dedication to the SSA mission and to their own goals can flourish together.

The major objectives for this strategic goal are:

- To provide the necessary tools and training to achieve a highly skilled and high-performing workforce.
- To provide a physical environment that promotes the health and well-being of employees.
- To promote an Agency culture that successfully incorporates our values.
- To create a workforce to serve SSA's diverse customers in the 21st century.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
49. Percent of front-line employees with intelligent workstations connected to a local area network⁽¹⁾	27.4%	50.2%	85.9%	100%	93%

Discussion - The original FY 1999 commitment assumed that 100 percent of front-line employees would have access to IWS/LAN by this time. Installation of workstations from the National Buy (Phase 1) was completed in July 1999 and the workstation installations ceased at that time. However, some of the workstations installed at the start of this project (i.e., the "Interim Buy") were determined to be technically obsolete and were later replaced by workstations from the National Buy. Thus, 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.

Site preparation and furniture installations remain on track for future workstation acquisitions. SSA will proceed with the installations when the follow-on contract is in place and workstation deliveries are restarted. The 100 percent target will be achieved in FY 2000.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
50. Interactive Video Training/ Interactive Distance Learning (IVT/IDL):					
Percent of front-line employees with access to IVT/IDL	NA	NA	NA	82%⁽⁴⁾	87%✓

Discussion - The number of employees who now have direct access to IVT (i.e., in their home office) is estimated at 73 percent. However, the original figure of 82 percent also included employees who have access to IVT programs with a short commute, defined as about 30 minutes or less, one way. We estimate that 14 to 15 percent of SSA employees at non-downlink sites fall into this category. Using the original criteria on which the goal was based, this means an estimated 87 percent of SSA employees can now access IVT programs.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Original FY 1999 APP Goal - Percent of offices receiving IVT/IDL connectivity as planned	NA	26%	65%	100%	93%

Discussion of Original FY 1999 APP Goal - The FY 1999 plan was based on expanding SSA's IVT system to an additional 610 downlink sites, bringing the total to 830 sites. As of September 30, 1999, 55 of these additional sites remain to be installed. Approximately one-third of the locations are approved and ready to install, but were delayed due to a shortfall in funding caused by unexpectedly large installation costs at previously installed sites. Additional funds have been appropriated and installation at these sites is expected to proceed shortly. The remaining sites were delayed because:

- (1) The office is relocating shortly (all moves scheduled before the end of calendar year 1999) and it was decided to wait rather than install the equipment and then move it;
- (2) Negotiations with landlords for permission to install and/or additional rent demands are still ongoing;
- (3) The site is undergoing renovations, usually the construction of a room to use for IVT training; or
- (4) In some few cases, local municipal permit requirements must still be met.

We expect all remaining sites to be fully installed by the end of calendar year 1999.

51. **Implement formal management development programs**

FY 1999 Goal - Management intern program implemented

FY 1999 Actual - (✓) We have met the FY 1999 goal of implementing the Leadership Development Program (which replaced the Management Intern Program) by competitively announcing it for all eligible GS-9 to GS-13 employees in early 1999. We received approximately 800 applications and have completed several stages of the competitive selection process.

To date, all applications have been screened for eligibility and panels of higher level managers have been convened from all over the country and completed their evaluations of the applications. A Highly Qualified List has been established and the last phase of the selection process, the Personal Interview, took place in September 1999. All 800 applicants have been advised as to their individual status. We anticipate that selections to the Leadership Development Program will be made in December 1999.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
52. Percent of managerial staff participating in management/leadership development experiences	NA	NA	40%	60% ⁽⁴⁾	60%✓

Original FY 1999 APP Goal 50%

Discussion - A Leadership Seminar ("Leadership and Learning: Developing Strategies for Growth") was delivered "live" at 54 regional and headquarters locations nationwide between February and September 1999. Managers and supervisors from every component and every grade level attended these seminars nationwide. By the end of FY 1999, SSA had met the overall goal to provide a management/leadership training experience to 100 percent of SSA managers/supervisors over FYs 1998-1999.

We anticipate beginning the next phase of this initiative by providing the opportunity for at least one-third of all SSA managers/supervisors to participate in management/leadership development experience each fiscal year.

Transition Plan

53. **Complete Agency plan for transitioning to the workforce of the future**

FY 1999 Goal - Curriculum for non-supervisory employees based on identification of new skill sets required in the future implemented

FY 1999 Actual - The core competencies and reinforcing core curriculum were identified and developed. Specifically, an automated competency-based self-assessment survey tool was developed to assist employees in identifying needs and training resources available. The self-assessment survey and core curricula will be piloted in a selected region and headquarters component in FY 2000. Following an evaluation of the process and subsequent revision, as may be appropriate, the process will then be expanded to all employees.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
54. Percent of employees reporting they are satisfied with the level of security in their facility	NA	64%	64%	70%	74%✓

Physical Environment

Discussion - To reach our goal, SSA implemented a wide range of security enhancements. In the regions, for example, a significant investment was made for the purchase and installation of additional security services and devices such as duress alarms, closed circuit television cameras, peep holes, additional locks, etc. We have also significantly expanded the use of security guards. Staff from both SSA and the General Services Administration conduct periodic risk assessments of our offices to determine whether additional enhancements are needed.

SSA continues its partnership with the American Federation of Government Employees through a National Health and Safety Partnership Committee on Security (NHSPCS). The NHSPCS meets monthly to discuss security concerns and the actions needed to resolve them.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
55. Percent of environmental indoor air quality surveys completed and percent of corrective actions taken when called for:					
Facilities surveyed	NA	NA	23.6%	20%	37%✓
Corrective actions taken	NA	NA	72.3%	75%	76%✓

Discussion - We exceeded the FY 1999 goal for percentage of facilities surveyed and corrective actions taken because the Indoor Air Quality (IAQ) computerized tracking system implemented in July 1998 enabled us to take quicker action and keep remediations on track. By automating the reporting and tracking processes, we were able to intervene quickly, resolve problems as they arose and avoid the delays that we experienced in the past.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
56. Number of facilities having water quality testing and percent of corrective actions taken when called for:					
Facilities tested	NA	NA	496	600	662✓
Corrective actions taken	NA	NA	100%	100%	100%✓

Discussion - The development of the testing protocol and research into acceptable remediation methods was completed in FY 1998. These new tools allowed us to exceed our FY 1999 goals for facilities tested and corrective actions.

GOAL: To strengthen public understanding of the social security programs

This goal addresses SSA's basic responsibility to the public to ensure that they understand the benefits available to them individually under the Social Security programs and the impact of the programs on society as a whole.

The major objective of this strategic goal is:

- ° By 2005, 9 out of 10 Americans will be knowledgeable about Social Security programs in five important areas.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
Increasing Public Knowledge					
57. Percent of individuals issued Social Security Statements (formerly PEBES) as required by law	100%	100%	100%	100%	100% [√]

Discussion - SSA is required by legislation (section 1143 of the Act) to issue one-time Social Security Statements (formerly Personal Earnings and Benefit Estimate Statement (PEBES)) to approximately 15 million individuals who turn age 60 during FYs 1996-1999 and, effective in October 1999, annually to all workers age 25 and older who are not receiving Social Security benefits. SSA accelerated the mailings and far exceeded the legislative mandate. As of the end of FY 1999, SSA mailed approximately 73 million statements to individuals age 40 and older. Beginning in October 1999, SSA will mail annual statements to approximately 123 million workers. About 500,000 statements will be mailed each business day. The statements will be mailed about three months before the worker's birth month. The statement for a working spouse will be mailed about three months before the spouse's birth month.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
58. Number of Social Security Statements issued upon request and automatically by SSA	9,020,650	15,690,571	24,102,756	36,000,000 ⁽³⁾	30,131,400
Original FY 1999 APP Goal				33,000,000	

Discussion - In FY 1999, as in the years FY 1996-FY 1998, the anticipated number of Social Security Statements (formerly PEBES) to be issued, 36 million, was set by the budget process. This estimated total included both those statements to be issued automatically and those to be issued on request. Allowing for returns, SSA understated the number necessary for issuance. The volume of Social Security Statements issued on-request remained at 3.5 million, consistent with prior years. This indicator will no longer be tracked effective FY 2000.

	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Plan	FY 1999 Actual
59. Percent of public who perceive they are "very well" informed or "fairly well" informed about Social Security	59.0%	56.0%	56.0%	59%	NA

Discussion - FY 1999 data is not available for this indicator. This indicator will be replaced by "Percent of public who are knowledgeable about Social Security" in future performance reports. The FY 1998 and 1999 APP goal was based on an annual survey compiled by the American Council of Life Insurance (ACLI). The new indicator is based on methodology developed by the Gallup Organization and approved by SSA which measures the public's actual knowledge of Social Security programs as contrasted with the ACLI data which was based on an individual's self-assessed knowledge of Social Security. FY 1999 data for the new indicator will be available for the FY 2000 GPRA Performance Report.

Endnotes

1. This performance indicator does not appear in the FY 2000 APP.
2. In the FY 2000 APP, this performance indicator appears as a performance goal for a new performance indicator, "New or expanded services available electronically."
3. The FY 1999 goal was revised per the FY 1999 Operating Plan.
4. The FY 1999 performance indicator and/or goal was revised per SSA's FY 2000 APP.
5. This is the last year that the three indicators (22, 23, and 24) shown for this objective will be used to measure SSA's success in customer satisfaction. For future reports, new performance indicators were developed to better reflect overall customer satisfaction.
6. Data for FYs 1998 and 1999 represent respondents ratings of "Excellent," "Very Good" or "Good."
7. Data for FY 1999 represent respondents ratings of "Excellent," "Very Good" or "Good".
8. FY 1999 actual performance is not available at this time. The actual FY 1999 performance for this indicator should be available in August 2000.
9. FY 1999 actual performance is not available at this time. Net accuracy is calculated approximately 3 months following the close of the fiscal year and should be available in January 2000.
10. This indicator is calculated on a calendar year basis; therefore, the accuracy rate for 1999 is not available at this time. The actual FY 1999 information should be available in the fall of 2000.
11. Total overpayment collection figures for FYs 1996 and 1997 include Black Lung overpayment collections.

Appendix

The performance indicators listed below are found in the FY 1999 APP, but contained performance goals for FY 1998 only. We addressed their FY 1998 performance against those goals in SSA's FY 1998 GPRA Performance Report found on pages 60-69 of SSA's Accountability Report for FY 1998. However, to provide a complete picture of all performance indicators found in the FY 1999 APP, we have provided their current status below.

1. Increase the opportunities that disabled beneficiaries have to receive vocational rehabilitation services by contracting with alternate providers

Status - The contract with Birch & Davis Associates, Inc. of Silver Spring, MD is operational. Birch & Davis is collecting data for evaluation purposes as well as for operation of the demonstration.

Milestones - Have at least 450 alternate participants under contract by September 30, 1999. To date, 437 alternate participants are under contract to SSA. Have at least 500 alternate participants under contract by September 30, 2000.

2. Establish an on-going retirement policy research consortium

Status - 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 ninety 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 web-site. The Boston College Center started an "Issues in Brief" series and have published and distributed 3 briefs to a broad audience. Internet web-sites 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 MIT Monthly Graduate Colloquium on Retirement, and a one-week course was held on stochastic modeling in Washington. A one-day conference was held in May at the Survey Research Center in Ann Arbor between SSA experts and researchers on issues of data facilitation.

3. Expand income modeling capabilities to include all sources of retirement income

Status - The Modeling Income in the Near Term (MINT) model projected the demographic status of persons in the baby boom (born 1946-1964) and expected retirement income of new retirees from Social Security benefits, assets, pensions, and continued employment of beneficiaries for those born in 1946-60. It also estimates this data for the aged population of 2020. Using contracted support from the Urban Institute and the RAND Corporation, MINT statistically projected Census Bureau data in the 1990-92 panels of the Survey of Income and Program Participation matched to SSA data. In FY 1999, SSA staff worked on checking the contractor-supplied data and developing computer programs for processing policy analyses.

SSA also presented preliminary data analyses to the Technical Panel on the Trustees' report of the Social Security Advisory Board, at the Retirement Research Consortium, and at the 1999 Annual meetings of the Population Association of America.

The CORSIM Microsimulation Model is a dynamic microsimulation model, built at Cornell University, which begins with a population sample from 1960 and moves it forward into the future. CORSIM has a detailed Social Security module and has been used outside of SSA for Social Security policy analysis. SSA analysts have worked jointly over the last year to evaluate the CORSIM model for its potential use in-house to aid in cost and distributional analyses. The evaluation team involved SSA analysts and outside consultants.

4. Complete analysis of the operational implications of major proposals by the Advisory Council for long-term financing

Status - The analysis is ongoing. SSA's Office of Policy is looking at more aspects than administrative costs as the work plan and ongoing analysis evolve.

5. Increase the customer base for SSA Online and bring a modified online Social Security Statement (formerly PEBES) response to full-scale operation

Status - In FY 1999, the number of customers who accessed the Social Security Online homepage rose to 8.5 million, surpassing the goal of 5.6 million by 52 percent. Higher than expected customer growth partly reflects the rapid increase in 1999 in the number of new users accessing the Internet for the first time. It also can be attributed to the public's increasing awareness of SSA's website as a convenient way to get information. Last year, customers downloaded over one million forms and requested over 1.2 million Social Security Statements electronically.

The modified online Social Security Statement (formerly PEBES) is being considered along with other options for issuing online Social Security statements as part of the overall Internet services strategy which is currently under executive review within the Agency.

6. Complete a business case analysis for future online services and bring up two new online services

Status - The Electronic Services Delivery Business Case was completed in December 1997 and presented to SSA's Chief Information Officer Core Team in January 1998. It estimated that SSA could recoup its investment within three years, and over 950 workyears annually could be saved beginning in 2010 by offering the public electronic options for transacting business.

On February 23, 1999, two new online services were implemented on our website—the Request for 1099 Replacement and the Request for Benefit Verification. These services are the first ones targeted specifically for our customers who are receiving monthly benefits. The 1099 Replacement service allows beneficiaries to request a duplicate statement of the amount of benefits received during the preceding year for tax purposes. The Benefit Verification service enables beneficiaries to request a letter from SSA verifying the amount of benefits that they are receiving. Both the 1099 statements and benefit verification letters are mailed to the address in SSA's records to prevent unauthorized receipt of this information.

7. Complete comprehensive action plan to improve management of the SSI program

Status - See discussion in Major Issues Facing SSA section under SSI Management Improvement on pages 11 and 12.

Programmatic Information

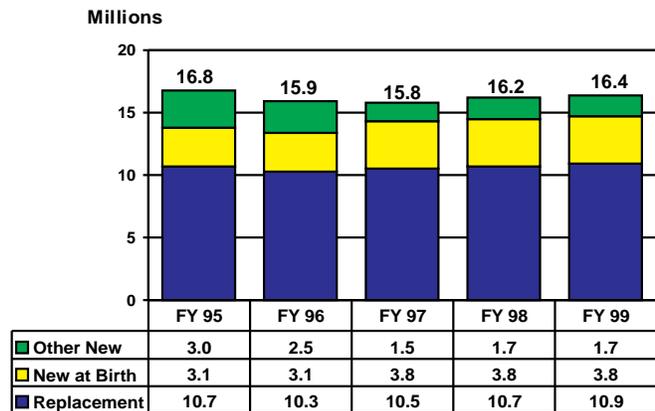
This section supplements the GPRA Performance Report with more detail on how effectively and efficiently SSA performs its day-to-day business processes and service delivery functions. Included are performance indicators to assess the effectiveness in achieving intended results relating to service delivery goals and objectives outlined in the Agency's strategic plan published in FY 1997 and workload and unit cost data to measure the efficiency of operations. "NA" indicates that actual data are unavailable for that particular fiscal period. When current dollars are presented to restate prior period costs at the 1999 cost levels, the conversion from "actual dollars" to current dollars is calculated based on the change in the cost of an average SSA workyear. The indices used to adjust prior period costs are 1.011655 for 1998, 1.098825 for 1997, 1.103344 for 1996 and 1.181474 for 1995.

Enumeration Process

Enumeration is the process by which SSA assigns Social Security numbers (SSN) to identify workers and beneficiaries, issues replacement cards to people with existing numbers and verifies SSNs for employers and other government agencies. In 1989, SSA implemented the enumeration at birth process which is used to assign SSNs to newborns. At the time of birth, a hospital representative will ask the parents if they want to have an SSN assigned to the child using the information normally supplied to the State's office of vital statistics. The data supplied to the State are then shared with SSA and SSA's systems assign an SSN and issue a card.

The issuance of new and replacement cards must be prompt and efficient. SSA's percentage of applicants notified of their SSNs within the timeframes identified below has remained very high over the last several years. Requests for SSNs are processed timely, without sacrificing the integrity of the numbers issued. SSA has assigned just over \$400 million SSNs since the program began in 1936.

SSN Cards Issued



	FY 1995	FY 1996	FY1997	FY 1998	FY 1999
◦ % of applicants that can be notified orally of their SSN within 24 hours of completing an application	91.2%	92.2%	94.4%	98.9%	96.5%
◦ % of SSN cards issued within 5 days of completing an application	97.0%	96.9%	98.2%	99.7%	99.0%
◦ Average processing time (days)	0.6	0.6	0.4	0.1	0.3
◦ % of SSNs issued accurately*	99.8%	99.6%	99.9%	99.8%	NA

* Represents performance for January to December.

Workload Data

	FY 1995	FY1996	FY 1997	FY 1998	FY 1999
◦ Workyears	2,560	2,577	2,811	2,902	2,692
◦ Production Per Workyear	6,575	6,187	5,539	5,584	6,063
◦ Unit Costs (Current Dollars)	\$12.67	\$13.81	\$14.92	\$14.17	\$13.89

Earnings Process

Reports of earnings must be filed annually by every employer who is liable for Social Security and Medicare taxes. Employers may submit wage reports to SSA on paper or on electronic or magnetic media. To ensure completeness of earnings data, wage items are matched yearly against employer tax data reported to the Internal Revenue Service (IRS). Record corrections may be initiated by an employer, IRS, SSA or an employee. Individuals may request statements of their earnings records and corrections to those records by contacting SSA in person, by phone or through the mail or the Internet.

Data shown below as FY 1999 performance relates to the processing of tax year 1998 data. SSA annually estimates the number of annual wage reports (AWRs) and the amount of self-employment income that will be posted for a particular tax year. These estimates are used to monitor current year processing. Once all wage and self-employment income information is processed, these measures are recalculated using actual data.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ % of reported earnings posted accurately to individuals' earnings record	98.7%	99.0%	99.0%	99.0%	99.0%
◦ % of AWRs posted within:					
– 6 mos. following close of tax year	83.9%	86.2%	86.9%	83.0%	83.9%*
– 9 mos. following close of tax year	97.4%	97.3%	97.8%	98.5%	95.3%*
◦ Number of months to post 98.5 percent of AWRs for tax year	10.1	10.3	9.8	9	9.5*
◦ % of self-employment income posted within:					
– 9 mos. following close of tax year	84.9%	61.4%	80.4%	89.5%	93.3%*
– 12 mos. following close of tax year	98.1%	99.7%	99.5%	99.8%	NA

* Estimates

Workload Data

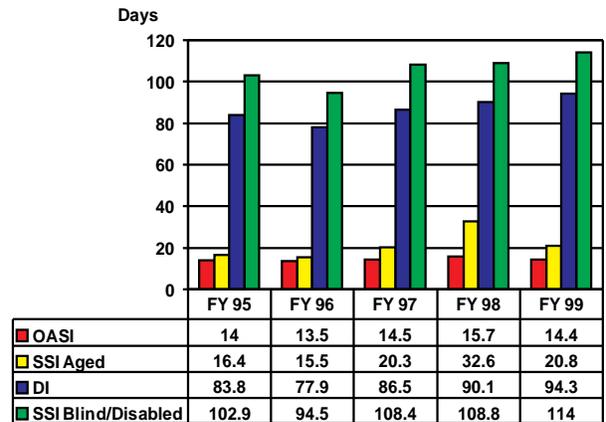
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Earnings Processed	235,314,733	239,958,058	249,123,545	266,011,984	249,867,974
– Workyears	1,595	1,540	1,303	1,223	1,007
– Production Per Workyear	147,515	155,842	191,210	217,440	248,131
– Unit Costs (Current Dollars)	\$0.58	\$0.49	\$0.42	\$0.36	\$0.29

Claims Process

To become entitled to benefits under any of the programs that SSA administers, an individual must file an application and submit proof of eligibility. Those who are dissatisfied with SSA's decisions may request further review. The claims process comprises the actions that SSA takes to determine an individual's eligibility for benefits, beginning with the individual's initial contact through payment effectuation or administrative appeal.

The process for determining eligibility for benefits involves certain basic functions that are consistent across each of the programs that SSA administers: outreach and information, intake, evidence collection, determination of eligibility, notification of award or denial and initial payment. However, eligibility requirements vary considerably by program and type of benefit.

Initial Claims Processing Times



	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ % of OASI applications completed before the first regular payment is due or within 14 days from the effective date of filing, if later	83.0%	84.3%	82.9%	82.6%	84.3%
◦ % of initial SSI Aged claims either paid or denied within 14 days of the filing date	65.4%	66.4%	59.5%	54.2%	63.5%
◦ % of continuing monthly payments made on the scheduled delivery date:					
- OASDI	99.9%	99.9%	99.9%	99.9%	99.9%
- SSI	99.9%	99.9%	99.9%	99.9%	99.9%

The "Initial Payment Accuracy Rate" is the measure of accuracy of the first payment made to newly awarded OASI and SSI claimants. It is calculated by dividing the amount of payments made correctly by the total amount that should have been paid. In FY 1996, most OASI errors were attributable to earnings records, benefit rate computations, date of birth, application-related issues and relationship/dependency issues. The increase in accuracy for FY 1997 was due primarily to a reduction in dollar errors involving earnings records, computations and application issues.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Initial payment accuracy rate:					
- OASI	94.7%	93.7%	95.6%	97.1%*	NA
- SSI	93.7%	93.4%	92.5%	NA	NA

* Preliminary

The Index of Dollar Accuracy is based on a statistically reliable sample of the workloads reviewed. It measures the dollar accuracy of adjudicative decisions over the retrospective, current and prospective lifetime of the payment. For OASI, the Index of Dollar Accuracy rate represents total dollars paid divided by dollars that should have been paid over the life cycle of the award. For SSI, it expresses the relationship of field office processed initial claims and redetermination dollars paid to dollars that should have been paid over the expected life of the award or redetermination. The lifetime of the SSI award continues until termination or redetermination. The percent of lifetime dollars paid correctly for OASI initial awards has remained consistently high for the past several years. The changes in the SSI index of dollar accuracy rate from one year to the next are not statistically significant; however, the decline in accuracy over the past 5 years is statistically significant.

° % of lifetime dollars from a claims award or redetermination that are paid correctly:	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– OASI	99.8%	99.7%	99.8%	99.8%*	NA
– SSI	94.8%	93.4%	93.0%	NA	NA
– Awards	94.6%	93.6%	90.4%	NA	NA
– Redeterminations	95.0%	93.2%	94.3%	NA	NA

* Preliminary

Workload Data

° Workload Receipts					
– OASI	3,140,331	3,044,834	3,112,022	2,992,786	3,041,782
– DI	1,783,757	1,670,897	1,529,513	1,487,545	1,505,689
– SSI Aged	181,629	165,169	128,492	138,570	149,716
– SSI Blind/Disabled	<u>1,918,162</u>	<u>1,757,791</u>	<u>1,496,408</u>	<u>1,444,351</u>	<u>1,480,536</u>
– Total	7,023,879	6,638,691	6,266,435	6,063,252	6,177,723
– Year-to-Year Change	-3.6%	-5.5%	-5.6%	-3.2%	1.9%
° Workloads Processed					
– OASI	3,162,881	3,058,745	3,129,238	3,020,268	3,076,937
– DI	1,881,802	1,711,281	1,662,353	1,536,900	1,513,780
– SSI Aged	181,329	161,649	125,680	135,442	148,382
– SSI Blind/Disabled	<u>2,016,790</u>	<u>1,759,870</u>	<u>1,498,520</u>	<u>1,429,247</u>	<u>1,440,689</u>
– Total	7,242,802	6,691,545	6,415,791	6,121,857	6,179,788
– Year-to-Year Change	-1.5%	-7.6%	-4.1%	-4.6%	0.6%
° End-of-Year Pending					
– OASI	57,751	59,410	56,844	55,505	38,531
– DI	269,938	260,769	167,081	259,018	291,104
– SSI Aged	3,471	6,349	8,138	8,469	9,101
– SSI Blind/Disabled	<u>377,965</u>	<u>372,022</u>	<u>367,625</u>	<u>328,260</u>	<u>365,281</u>
– Total	709,125	698,550	599,688	651,252	704,017

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ End-of-Year Pendings as a % of Current Year's Dispositions					
– OASI	1.8%	1.9%	1.8%	1.8%	1.3%
– DI	14.3%	15.2%	10.1%	16.9%	19.2%
– SSI Aged	1.9%	3.9%	6.5%	6.3%	6.1%
– SSI Disabled	18.7%	21.1%	24.5%	23.0%	25.4%
◦ Workyears	20,717	19,436	19,560	17,263	16,714
◦ Production Per Workyear	350	344	328	355	370
◦ Unit Cost (Current Dollars)					
– OASI	\$222.53	\$217.10	\$221.11	\$196.01	\$189.88
– DI	581.28	591.73	598.02	583.17	605.60
– SSI Aged	274.28	295.49	341.79	294.09	266.83
– SSI Disabled	496.78	502.15	570.26	522.11	522.58
– Overall Average	393.40	389.77	402.68	371.51	371.12

Disability Determination Services (DDS)

The decisional accuracy of disability claims reflects the percentage of accurate determinations issued by the State DDSs. The decisional accuracy of disability determinations for DI and SSI initial claims has remained relatively constant for the last 5 years, despite increased workloads. Decisions to allow disability continue to be more accurate than denials.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ % of accurate disability determinations by State agencies (DI and SSI combined):					
– Overall Decisional Average	96.6%	96.9%	96.5%	96.2%	96.5%
– Allowances	97.9%	98.0%	97.7%	97.8%	98.0%
– Denials	95.9%	96.4%	95.9%	95.3%	95.7%

The following tables illustrate the DDS performance accuracy for disability determinations. Performance accuracy rates reflect the estimated percentages of initial disability determinations and reconsideration disability determinations that do not have to be returned to the DDS for development of additional documentation or correction of the disability determination. Accuracy of initial disability determinations have remained relatively constant over the last 5 years.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Performance accuracy initial disability determinations:					
– Overall Average	94.2%	94.5%	94.0%	93.7%	94.3%
– Allowances	96.0%	96.5%	95.9%	96.1%	96.5%
– Denials	93.4%	93.6%	93.1%	92.3%	93.0%
◦ Performance accuracy reconsideration disability determinations:					
– Overall Average	91.7%	92.7%	92.3%	91.6%	92.3%
– Allowances	96.2%	95.6%	94.0%	95.6%	96.0%
– Denials	91.0%	92.3%	92.0%	90.9%	91.6%

The following table reflects the net accuracy of initial disability determinations. Net accuracy is the percentage of correct DDS disability determinations. The net accuracy rate is based on the net error rate (defined as the number of corrected deficient cases with changed disability decisions, plus the number of deficient cases that are not corrected within 90 days following the period covered by the report) divided by the number of cases reviewed. Net accuracy of initial disability determinations has remained fairly stable over the past 4 years.

“Net accuracy of initial disability determinations” differs from the “percent of accurate disability determinations” in two ways. While both measures describe decisional correctness, counting as deficient only those deficiencies which, when corrected, result in a change of decision, (1) the percent of accurate disability determinations is a one time calculation performed at the end of the fiscal year; and (2) as a recurring function, net accuracy counts as deficient those deficiencies not corrected within the 90 day period following the close of the review period.

◦ Net accuracy of initial disability determinations	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– Overall Average	96.6%	96.7%	96.5%	96.2%*	NA
– Allowances	97.8%	97.9%	97.6%	97.9%	NA
– Denials	96.1%	96.1%	95.9%	95.3%	NA

* Net accuracy is calculated approximately 3 months following the end of the fiscal year.

SSA is mandated by statute to review at least 50 percent of the favorable disability insurance determinations made by State DDSs. These reviews of initial and reconsideration allowances are conducted prior to effectuation of the DDS determination. We also perform preeffectuation reviews of DDS determinations of continuing eligibility. SSA uses a profiling system to select cases for review. This helps to ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect.

◦ Preeffectuation Reviews	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– % of accurate decisions to allow or continue benefits by State DDSs	98.0%	97.7%	96.4%	96.4%	96.4%
– Number of cases reviewed	271,363	238,751	249,321	241,611	254,134
– Number of cases returned to DDS due to error or inadequate documentation	5,498	5,536	9,013	8,729	9,082

SSA also performs quality assurance reviews to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The chart below shows that the State DDSs have consistently made the correct decision to allow benefits.

◦ Quality Assurance Review	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– % of accurate decisions to allow or continue benefits by State DDSs	96.0%	96.2%	95.8%	96.1%	96.1%
– Number of cases reviewed	26,536	27,150	42,402	42,303	43,863
– Number of cases returned to DDS due to error or inadequate documentation	1,078	1,030	1,801	1,638	1,705

Workload Data

◦ Workload Receipts					
– Initial Disability Cases	2,488,878	2,439,658	2,076,201	2,037,160	2,049,349
– Total Cases	3,647,337	3,714,060	3,805,920	3,848,878	3,786,564

◦ Workload Processed	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– Initial Disability Cases	2,611,622	2,360,034	2,187,263	2,024,524	2,013,089
– Total Cases	3,786,535	3,601,856	3,804,111	3,792,151	3,774,209
◦ End-of-Year Pendings					
– Initial Disability Cases	430,805	510,454	399,392	416,378	457,823
– Total Cases	590,045	702,316	703,696	760,026	772,381
◦ Production Per Workyear	281	278	269	265	258

Due Process Operations

The following measure focuses on the reconsiderations of initial claims (which constitute the majority of all reconsideration actions). The Agency's vision for redesigning the disability process encompasses the timely processing of reconsiderations. Once fully implemented, the accurate and more efficient processing of initial claims should result in a decrease in the number of initial claims reversed as a result of filing a reconsideration. However, should a reconsideration be filed, it is expected that the beneficiary receive a prompt reply. The Agency's percentage of reconsiderations processed within 60 days after filing has fluctuated over the last four years; with FY 1999 representing the lowest percentage to date. The decrease in the timely processing of reconsiderations for FY 1998 and 1999 is consistent with the overall decline in the Agency's performance for processing initial claims timely.

◦ % of requests for reconsideration of denied disability claims completed within 60 days of filing	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
	53.8%	57.9%	53.2%	50.9%	46.2%

Average processing time continued to improve throughout FY 1999, averaging 316 days for the fiscal year, just three days short of the goal of 313 days. Average processing time for SSA cases only (i.e., excluding Medicare cases) was 301 days. With the projected efficiencies tied to implementation of the Hearings Process Improvement Plan in 37 hearings offices in January 2000, and the projected continued decline in total pending and pending per Administrative Law Judge, we project an average processing time of 257 days for FY 2000. The processing times for FY 1997 - 1999 include Adjudication Officer (AO) cases. The AO project ceased at the close of FY 1999.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999*
◦ Hearings processing time (days)	357	392	397	341	316

* The performance indicator for processing time was changed in FY 1999. It now measures average processing time for all cases. Previous years' measures represented September processing time only.

In FY 1999 the processing time for the appeals workload increased to an average of 458 days. The average processing time was 28 days higher than in FY 1998. Additional resources have been directed to the appeals workload. The Appeals Council has hired additional adjudicators to process claims and has implemented streamlining procedures on an ongoing basis. A workgroup has been appointed to investigate other approaches to manage the workload. The initiatives implemented have had a positive impact and have slowed the rate of growth of the pending level. However, increased productivity over the past two years was still not enough to counterbalance increased receipts and the corresponding greater percentage of aged cases within the total pending. As a result, the processing time increased.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Appeals processing time (days)	149	276	340	430	458

This is the sixth year that the percentage of Appeals Council reviews that have decisions made and notices sent within 90 days after filing the appeal was tracked. At the beginning of the year, one percent of reviews was processed within 90 days. This figure remained constant throughout the year. Heavy receipts continued and, as a result, both the overall pending and the number of aged cases increased. The Council implemented numerous case streamlining initiatives throughout the year. However, this effort was not enough to reduce the pending level. As a result, the number of reviews processed within 90 days remained at one percent.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ % of reviews with decisions made and notices sent within 90 days after filing	24.5%	3.5%	1.0%	1.0%	1.0%

Workload Data

The Office of Hearings and Appeals (OHA) processed 596,999 hearings dispositions in FY 1999. With receipts of 524,644, OHA ended the fiscal year with a pending hearings workload of 311,958, a reduction of 72,355 cases during FY 1999, marking the fourth straight year that dispositions have outpaced receipts. Since the end of FY 1995, the hearings pending workload has been reduced by 235,732 cases, from 547,690 to 311,958.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Workload Receipts					
– Hearings	588,596	544,036	547,612	519,179	524,644
– Appeals	84,472	111,776	128,970	129,033	135,379
◦ Workloads Processed					
– Reconsiderations	1,176,754	1,065,348	1,052,732	1,054,512	981,347
– Hearings	526,743	580,832	574,795	618,578	596,999
– Appeals	66,129	69,377	104,876	119,271	109,691
◦ End-of-Year Pendencies					
– Hearings	547,690	510,895	483,712	384,313	311,958
– Appeals	45,063	93,511	117,605	127,367	153,056
◦ End-of-Year Pendencies as % of Current Year's Dispositions					
– Hearings	104.0%	88.0%	84.2%	62.1%	52.3%
– Appeals	68.1%	134.8%	112.1%	106.8%	139.5%
◦ Workyears	11,739	12,375	12,773	13,218	12,951
◦ Production per Workyear (total)	151	139	136	136	145
◦ Unit Costs (Current Dollars)					
– Reconsiderations	\$363.83	\$376.59	\$404.06	\$388.68	\$405.42
– Hearings	1,321.13	1,322.01	1,364.78	1,400.93	1,401.91
– Appeals	731.64	638.86	480.92	459.63	514.01
– Overall Average	715.86	763.77	781.77	793.69	813.37

Postentitlement Process

Once individuals become entitled to Social Security or SSI benefits, any changes in their circumstances that affect the amount or continuation of payment must be reflected in SSA's records. The postentitlement process encompasses the actions that SSA takes, after an OASDI or SSI claim is processed to an initial award, to ensure continuing eligibility, and timely and correct payment of benefits. Examples of these actions include change of address, benefit recomputations, overpayments and reviews of disability beneficiaries to determine their continuing eligibility for benefits. The performance accuracy of these continuing disability reviews (CDR) is displayed below.

◦ CDR performance accuracy	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– Overall Average	95.6%	95.9%	94.7%	94.8%	95.3%
– Continuances	96.1%	96.2%	95.1%	95.7%	95.8%
– Cessations	94.1%	94.7%	94.0%	91.5%	93.3%

The measure of the dollar accuracy of the monthly OASI payments made in a year is referred to as the “dollar accuracy of payment outlays.” The accuracy rate is obtained by comparing the total amount of error in the monthly payments (both excess payment and insufficient payment) to the total payments for the year measured. The accuracy in OASI benefit payments has remained at a consistently high level over the last five years and exceeds the SSA performance indicator goal.

◦ % of benefit payment outlays paid during a FY that are free of error	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
OASI Dollar Accuracy					
– Overpayments	99.9%	99.8%	99.9%	99.9%	NA
– Underpayments	99.9%	99.8%	99.9%	99.9%	NA

The dollar accuracy rate of continuing SSI payments is based on a statistically reliable sample of workloads reviewed. It is the percent of all SSI benefit payment outlays paid during the fiscal year that is free of error. The rate represents the percent of dollars issued free from overpayment, ineligibility or underpayment. The table below shows that dollar accuracy in the SSI program has remained relatively stable over the past 4 years.

◦ % of benefit payment outlays paid during a FY that are free of error	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
SSI Dollar Accuracy					
– Overpayments	95.7%	94.5%	94.7%	93.5%	NA
– Underpayments	98.6%	98.8%	98.8%	98.8%	NA

Workload Data

◦ Workloads Processed	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– OASI	62,792,654	64,324,391	65,677,579	64,970,602	58,571,017
– DI	11,348,819	12,353,466	13,095,777	14,101,384	13,139,294
– SSI	<u>21,408,956</u>	<u>22,590,307</u>	<u>22,175,293</u>	<u>21,783,670</u>	<u>20,192,328</u>
– Total	95,550,429	99,268,164	100,948,649	100,855,656	91,902,639
◦ Workyears	18,240	18,449	20,289	20,175	20,420
◦ Production Per Workyear (total)	5,238	5,381	4,976	4,999	4,501

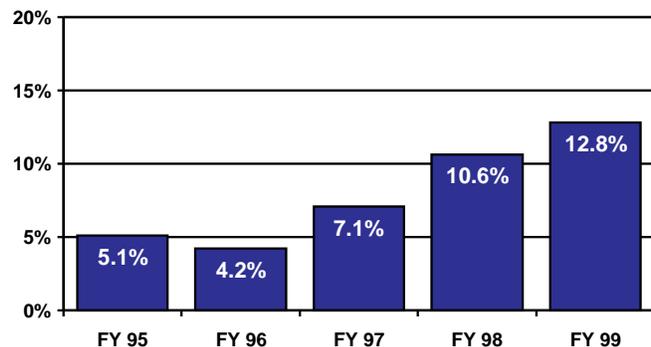
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Redeterminations Conducted	1,597,453	1,762,967	1,772,818	1,852,842	2,122,279
◦ Unit Costs (Current Dollars)					
– OASI	\$9.92	\$9.73	\$9.99	\$9.55	\$10.14
– DI	28.15	30.20	34.80	37.20	37.13
– SSI	30.14	31.90	38.12	40.41	50.15
– Overall Average					
– Per Work Unit	16.68	17.32	19.39	20.08	22.79
– Per Beneficiary	32.26	34.16	38.91	40.05	41.17

Informing the Public

Informing the public about Social Security programs, and educating them about the value and operation of these programs, is a basic Agency responsibility. The public needs an accurate understanding of the basic principles of the social insurance programs, of the value of these programs to themselves and society as a whole, and an appreciation of the role Social Security programs play in the nation's income security system.

SSA publishes leaflets, newsletters, booklets and other informational materials about its programs, policies and procedures so that the public can be fully informed about the Social Security programs. SSA also produces informational materials in audio, video and computer media. SSA publishes over 70 consumer leaflets, booklets and fact sheets to inform the public about Social Security programs and policies. 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.

Percent of Covered Workers Receiving Social Security Statements*



* Formerly PEBES Statements

Workload Data

Legislation requires SSA to issue annual Social Security Statements (formerly PEBES) to all eligible individuals who attain age 60 during FYs 1996 through 1999 and to eligible individuals age 25 or over beginning in FY 2000. The statements are printed and mailed for SSA by a contractor. As earnings corrections and other workloads are generated from the annual statement issuance, the earnings process will demand a greater portion of SSA's resources. However, this increased resource demand should be tempered somewhat by further productivity improvements that will be realized from systems enhancements currently being implemented.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
◦ Earnings Statements*					
– Total Number Issued	10,773,169	9,047,589	15,702,739	24,109,695	30,140,944
– Workyears	235	251	357	267	252
– Unit Costs (Current Dollars)	\$1.82	\$2.17	\$1.85	\$0.90	\$0.65

* Totals include both Social Security Statements (formerly PEBES) and other earnings statements.

Face-to-Face Service

SSA has a long tradition of providing face-to-face service for customers in its field offices. SSA has 1,343 field offices nationwide which provide a full array of services for customers, from answering general questions about programs to making complex eligibility determinations. Providing prompt, courteous service in our field offices is crucial to becoming an Agency that truly provides “World-Class Service”. An indicator of this type of service is the length of time visitors spend in field offices waiting for service. The chart below displays the results of the waiting times in SSA’s field offices.

◦ National field office waiting times	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
– Wait time to first contact (in minutes)	12.7	12.5	11.4	12.5	12.9
◦ Visitors with appointments					
– Average wait time (in minutes)	6.8	5.8	5.6	5.8	6.6
– % seen within 10 minutes	83.8%	84.8%	84.9%	87.4%	84.6%
– % seen within 15 minutes	88.6%	91.6%	90.3%	92.5%	89.9%
◦ Visitors without appointments					
– Average wait time (in minutes)	25.2	25.4	23.9	25.8	25.6
– % seen within 30 minutes	72.7%	70.0%	72.7%	71.9%	71.6%
– % seen within 60 minutes	90.3%	91.0%	91.6%	89.9%	90.4%

Results of SSA’s FY 1999 Annual Customer Satisfaction Survey show that customers continued to give high ratings for the service provided by SSA staff in their local offices over the course of the last year. Customers were especially satisfied with the level of SSA employee job knowledge, an aspect they also identified as one of the most important elements of SSA’s service. Ratings of office waiting time, comfort and privacy continue to be much lower than other aspects of in-office service, with the privacy rating reflecting a statistically significant decline.

The table below displays the various aspects of field office service rated in the survey and compares them with the results from the FY 1998 Annual Customer Satisfaction Survey. In FY 2000, the Annual Customer Satisfaction Survey will be discontinued. Aspects of in-office service will be measured instead through the Office Visitor Interaction Tracking Survey, which will capture customer impressions shortly after the contact.

Local Office Visit		
Percent “Satisfied”*		
Aspect of Service:	FY 1999	FY 1998
Office Location	87%	88%
Office Hours	89%	89%
Signs/Instructions	87%	NA
Office Comfort	78%	76%
Office Privacy	65%**	73%
Waiting Time	69%	71%
Helpfulness	85%	83%
Courtesy	87%	87%
Job Knowledge	88%**	83%
Clear Explanations	84%	82%

* For FY 1998, satisfied equals a rating of “very satisfied” or “satisfied.” For FY 1999, satisfied equals the combined ratings of “excellent,” “very good” or “good.”

** Statistically significant change from previous year.

800 Number Telephone Service

In addition to providing personal face-to-face service, SSA offers a single nationwide toll-free number (1-800-SSA-1213) weekdays from 7 a.m. to 7 p.m. in each time zone. Service is available for the hearing-impaired community during the same hours using a telecommunication device for the deaf. Automated services are also available at all times including after normal business hours, on weekends and holidays. Using the automated services, callers can request applications for Social Security numbers, Social Security Statements (formerly Personal Earnings and Benefit Estimate Statements), verification of monthly benefit amounts, Medicare information and a replacement Medicare card, and recorded information on local field offices and Medicare carriers and intermediaries.

A measure of the effectiveness of the 800 number, called the access rate, measures the percent of individual callers who successfully reach the 800 number. Following are two methods of measuring the access rate.

° % of individuals who successfully access the National 800 number within 5 minutes of their initial call	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
	73.5%	83.0%	96.2%	95.3%	95.8%
° % of individuals who successfully reach the National 800 number the first time they call	NA	NA	92.7%	91.1%	92.9%

The Agency goals for the above two access rate measures are 95 percent 5-minute access rate and 90 percent for the first time access rate. As shown, the Agency exceeded both goals in FY 1999 and also improved on its performance from FY 1998.

SSA conducts an ongoing evaluation of the national 800 number service. National 800 number accuracy rates are derived from the remote monitoring of calls handled by teleservice representatives and program service center SPIKE employees (individuals in Program Service Centers who answer 800 number calls during high volume periods).

The payment accuracy rates represent the percentage of all calls free of teleservice failures which have a reasonable potential to improperly affect payment of or eligibility to benefits. There are two measures of payment accuracy: 1) payment accuracy based on the universe of all calls, and 2) payment accuracy based only on calls with the potential to affect payment of or eligibility to benefits. The service accuracy rate represents the percentage of calls free of teleservice failures in service delivery which do not have a reasonable potential to improperly affect payment or eligibility to benefits. Service errors involve situations which can: 1) result in inconvenience to the public; 2) cause additional SSA workloads; or 3) result in situations where information is released from SSA records or reports which affect SSA records are accepted before obtaining all identifying information required by SSA.

The following shows that after remaining relatively stable, payment accuracy increased for the 6 months period ending March 1999. The higher payment accuracy rates were attributed to employee performance. Except for an increase in service accuracy in FY 1997, national 800 number service accuracy rates have generally remained in the lower 80 percent range. FY 1999 data represents the 6 month period ending March 31, 1999.

° Portion of National 800 number calls handled accurately	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
- % of responses leading to correct payments (payment accuracy - all calls)	96.8%	96.7%	97.1%	97.0%	97.4%
- % of responses leading to correct payments (payment accuracy - payment affecting calls)	94.2%	94.4%	95.2%	94.7%	95.4%

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
% of responses which did not result in inconvenience to the caller or cause additional SSA workloads (service accuracy)	82.0%	80.8%	84.3%	81.7%	81.0%

Callers continue to express satisfaction with SSA’s 800 number service in the FY 1999 800 Number Customer Surveys. Both staff courtesy and overall service on the day of the call to the 800 number received high ratings. Note that the scale for the staff courtesy rating was changed this year from a 4-point scale distinguishing service as basically courteous or discourteous, to the 6-point “excellent” scale that is the Agency standard for rating world-class service. This scale change accounts for what would appear to be a decline in the staff courtesy rating. The service satisfaction rating utilized the “excellent” scale in both FYs 1998 and 1999. The following data are based on customer survey results for the months of February.

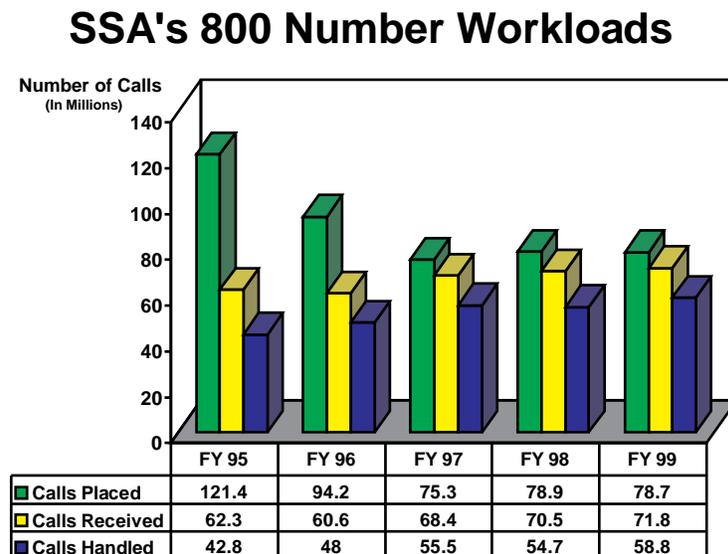
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Staff Courtesy	97%	97%	98%	97%	90%*
Service Satisfaction	90%	91%	89%	83%**	84%

* The scale for rating courtesy changed to the Agency’s new “world-class” 6-point scale in FY 1999; 90 percent of customers rated courtesy as “Excellent,” “Very Good” or “Good.”

** The 6-point “world-class service” scale was adopted for rating overall service satisfaction in FY 1998.

Workload Data

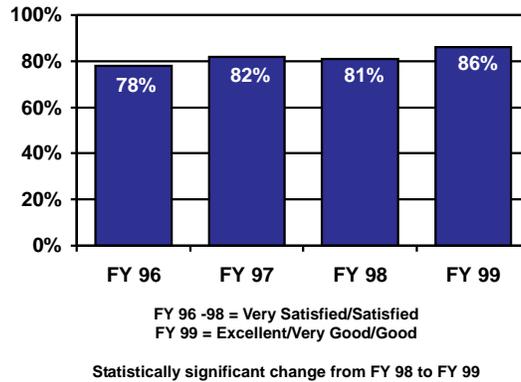
Calls placed shown below represent the actual number of calls placed to the 800 number including busy signals. Calls received consists of all callers that get through and either conduct business or hang up while on hold. Calls served represent all callers that conduct business with SSA. There was an increase in the number of calls received and calls served in FY 1999 compared to FY 1998. The number of calls placed declined because some busy signals were eliminated.



Mail

The public can initiate requests for all information and services by writing to SSA. Though members of the public do not often make their first contact with SSA through the mail, SSA's need to make contact on a large scale means that SSA frequently interacts with customers by mail. General program information is mailed to requesters and notices are sent to explain eligibility and payment decisions and to inform clients of their rights and responsibilities. In various surveys over the years, customers have identified the clarity of written communications as one of the most important aspects of SSA's service, confirming the Agency's focus on notice improvements. And, SSA's efforts in recent years to improve the quality of its notices is reflected in a gradual increase in customers' ratings of the clarity of the mail they receive, as depicted in the chart below. The 5-percentage point increase from FY 1998 to FY 1999 was statistically significant.

**Satisfaction with the Clarity
of SSA Mail**



Internet

The public also can quickly and conveniently access most general program information, frequently requested forms and other information of interest through SSA's Internet website, ssa.gov. SSA now delivers over 1 million forms per year over the Internet. In addition, the public can use the Internet to request Social Security Statements to be mailed to them. SSA processed over 500,000 electronic statement requests in FY 1999. SSA's initial Survey of Social Security Online Customers showed that a high percentage of customers are satisfied with the information and services received from the website.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
° % of online customers who rated SSA's website as "good," "very good" or "excellent."*	NA	NA	NA	NA	81%

* Internet customer satisfaction was first measured in 1999.

Office of the Inspector General

**Audit of the
Social Security Administration's
Fiscal Year 1999
Financial Statements**



SOCIAL SECURITY

Office of the Inspector General

November 19, 1999

To Kenneth S. Apfel
Commissioner of Social Security

This letter transmits the PricewaterhouseCoopers LLP (PwC) report on the audit of the Fiscal Year (FY) 1999 financial statements of the Social Security Administration (SSA) and the results of the Office of the Inspector General's (OIG) review thereon. PwC's report includes the firm's opinion on SSA's FY 1999 financial statements, its report on SSA management's assertion about the effectiveness of internal control, and its report on SSA's compliance with laws and regulations.

Objectives of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

PwC's examination was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 98-08, as amended. The audit includes obtaining an understanding of the internal control over financial reporting, and testing and evaluating the design and operating effectiveness of the internal control. Due to inherent limitations in any internal control, there is a risk that error or fraud may occur and not be detected.

The risk of fraud is inherent to SSA's programs and operations, especially within the Supplemental Security Income program. In our opinion, individuals outside of the organization perpetrate the majority of fraud against SSA. A discussion of fraud issues affecting SSA and the activities of the OIG to address fraud is presented in the Inspector General's Report to Congress, a separate section within this accountability report.

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

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576), as amended, requires SSA's Inspector General (IG) or an independent external auditor, as determined by the IG, to audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by OIG, PricewaterhouseCoopers LLP, an independent certified public accounting firm, performed the audit of SSA's FY 1999 financial statements. PwC also audited the FY 1998 financial statements, presented in SSA's Accountability Report for FY 1999 for comparative purposes.

PwC issued an unqualified opinion on SSA's FY 1999 financial statements. PwC also reported that SSA's assertion that its systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 98-08. However, the audit identified two reportable conditions in SSA's internal control. The control weaknesses identified are:

1. SSA Needs to Further Strengthen Controls to Protect Its Information
2. SSA Needs to Complete and Fully Test Its Plan for Maintaining Continuity of Operations

In FY 1998 PwC reported a third reportable condition, "SSA Can Improve Controls Over Separation of Duties". In FY 1999, SSA made significant progress to correct this weakness and in the opinion of the auditors, it is no longer a reportable condition. We commend SSA on its progress, but encourage the organization to continue its efforts in this area. Strong internal control, including proper separation of duties, are important to mitigate the risk of fraud.

PwC also reported instances of noncompliance with laws and regulations as follows:

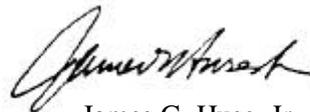
1. Section 221(i) of the Social Security Act, which requires periodic continuing disability reviews for title II beneficiaries; and
2. The Federal Financial Management Improvement Act of 1996 (FFMIA) for the cumulative effect of the two internal control weaknesses listed above.

OIG Evaluation of PwC's Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored PwC's audit of SSA's FY 1999 financial statements by:

- Reviewing PwC's approach and planning of the audit;
- Evaluating the qualifications and independence of its auditors;
- Monitoring the progress of the audit at key points;
- Examining its working papers related to planning the audit and assessing SSA's internal control;
- Reviewing PwC's audit report to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 98-08, as amended;
- Coordinating the issuance of the audit report; and
- Performing other procedures that we deemed necessary.

Based on the results of our review, we determined that PwC planned, executed, and reported the results of its audit of SSA's FY 1999 financial statements in accordance with applicable standards. Therefore, it is our opinion that PwC's work provides a reasonable basis for the firm's opinion on SSA's FY 1999 financial statements and SSA management's assertion on the effectiveness of its internal control and compliance with laws and regulations. Based on our review of the audit, we concur with PwC's finding of reportable conditions related to internal control weaknesses and instances of noncompliance with section 221(i) of the Social Security Act and the FFMIA.



James G. Huse, Jr.
Inspector General

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

REPORT OF INDEPENDENT ACCOUNTANTS

To Kenneth S. Apfel
Commissioner of Social Security

In our audit of the Social Security Administration (SSA) for fiscal year 1999, we found that:

- The principal financial statements were fairly stated in all material respects;
- Management fairly stated that SSA's systems of accounting and internal control in place as of September 30, 1999 are in compliance with the internal control objectives in Office of Management and Budget (OMB) Bulletin No. 98-08, as amended, *Audit Requirements for Federal Financial Statements*, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal; and
- Our testing identified two reportable instances of noncompliance with the laws and regulations we tested.

The following sections outline each of these conclusions in more detail.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of SSA as of September 30, 1999 and 1998, and the related consolidated statements of net cost, changes in net position, financing, and budgetary resources for the fiscal years then ended. These financial statements are the responsibility of SSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 98-08, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us and appearing on pages 29 through 41 of this report present fairly, in all material respects, the financial position of SSA at September 30, 1999 and 1998, and its consolidated net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary resources for the fiscal years then ended in conformity with generally accepted accounting principles.

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

We have examined management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 98-08, as amended, requiring management to establish internal accounting and administrative controls to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 98-08, as amended and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination was of the internal control in place as of September 30, 1999.

Because of inherent limitations in any internal control, misstatement due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in OMB Bulletin No. 98-08, as amended, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal, is fairly stated, in all material respects.

In addition, with respect to the internal control related to those performance measures determined by management to be key and reported in the Overview and Supplemental Financial and Management Information, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions and determined whether it has been placed in operation, as required by OMB Bulletin No. 98-08, as amended. Our procedures were not designed to provide assurance on the internal control over reported performance measures, and accordingly, we do not provide an opinion on such control.

However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the AICPA and by OMB Bulletin No. 98-08, as amended. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to meet the internal control objectives described above. The reportable conditions we noted were: SSA needs to further strengthen controls to protect its information and SSA needs to complete and fully test its plan for maintaining continuity of operations.

A material weakness, as defined by the AICPA and OMB Bulletin No. 98-08, as amended, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the principal financial statements being audited or to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that neither of the two reportable conditions that follow is a material weakness as defined by the AICPA and OMB Bulletin No. 98-08, as amended. One of the issues raised in our 1998 report, that SSA can improve controls over separation of duties, is no longer a reportable condition.

1. SSA Needs to Further Strengthen Controls to Protect Its Information

SSA has made notable progress in addressing the information protection issues raised in prior years. Specifically, the agency has:

- Developed a System Security Bulletin that provides a security framework for processing in the mainframe and distributed environments;
- Established a mainframe security monitoring process through the development of the Security Management Action Report (SMART) that is used to monitor inappropriate access to SSA systems;
- Improved physical security at the National Computer Center (NCC) by implementing tighter controls over physical access to the facility and increasing security awareness of the guard force; and
- Continued to improve security monitoring procedures and practices in the local area network (LAN) environment at Headquarters, including an ongoing process to identify unauthorized modems and immediately removing unauthorized modem access.

Our audit in 1999 found that SSA's systems environment remains threatened by weaknesses in several components of its information protection control structure. Because disclosure of detailed information about these weaknesses might further compromise controls, we are providing no further details here. Instead, the specifics are presented in a separate, limited-distribution management letter. The general areas where weaknesses were noted are:

- The entity-wide security program and associated weaknesses in developing, implementing and monitoring LAN and distributed systems security;
- SSA's mainframe computer security and operating system configuration;
- Physical access controls at non-headquarters locations; and
- Certification and accreditation of certain general support and major application systems.

Until corrected, these weaknesses will continue to increase the risks of unauthorized access to, and modification or disclosure of, sensitive SSA information. In turn, unauthorized access to sensitive data can result in the loss of data, loss of Trust Fund resources, and compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs.

Recommendations

We recommend that SSA accelerate and build on its progress in 1999 to enhance information protection by further strengthening its entity-wide security as it relates to implementation of physical and technical computer security mechanisms and controls throughout the organization. In general, we recommend that SSA:

- Reevaluate its overall organization-wide security architecture;
- Reassess the security roles and responsibilities throughout the organization's central and regional office components;
- Assure that the appropriate level of trained resources are in place to develop, implement and monitor the SSA security program;

- Enhance and institutionalize an entity-wide security program that facilitates strengthening of LAN and distributed systems' security;
- Review and certify system access for all users;
- Enhance procedures for removing system access when employees are transferred or leave the agency;
- Decrease vulnerabilities in the mainframe operating system configuration;
- Implement the mainframe monitoring process (SMART Report);
- Finalize accreditation and certification of systems;
- Develop and implement an ongoing entity-wide information security compliance program; and
- Strengthen physical access controls at non-headquarters sites.

More specific recommendations are included in a separate, limited-distribution management letter.

2. SSA Needs to Complete and Fully Test Its Plan for Maintaining Continuity of Operations

SSA has made notable progress since 1998 in implementing improvements to its disaster recovery plan for computer operations. For example, SSA has scheduled testing for all of its 13 originally identified critical workloads for fiscal year 2000. In addition, SSA established a special workgroup that validated the original critical workloads and identified potential additional critical workloads. SSA further developed its draft plan for moving computer operations from its designated "hot-site" (a facility that already has computer equipment and an acceptable computing environment in place to provide processing capabilities on short notice) to a "cold-site" in the event of a longer-term disruption of processing operations. In an effort to eliminate the need for a hot-site to cold-site transition plan and provide for long term outages of up to 12 months, SSA has negotiated with the hot-site vendor via the General Services Administration (GSA) to provide maximum EDP operational capability after disaster declaration. Furthermore, an Interagency Agreement between SSA and GSA has been established so funds and resources will be available in a time of disaster. Finally, SSA initiated efforts to establish a continuity of operations planning workgroup to bring an agency-wide focus to its efforts in this area.

While SSA has many components of a contingency plan in place, we identified a number of deficiencies that, in our opinion, would impair SSA's ability to respond effectively to a disruption in business operations as a result of a disaster or other long-term crisis. Although SSA has performed a Business Impact Analysis, its list of critical workloads is still being finalized and recovery time objectives (RTOs) have not yet been established for each of the critical workloads. Consequently, SSA has not established recovery priorities for all of its systems in the mainframe and distributed environments. Furthermore, the plan for recovering the critical workloads still needs to be fully tested. In addition, SSA has not fully updated the contingency plans for the headquarters site or finalized and tested contingency plans for non-headquarters sites.

SSA also needs to take additional actions to ensure its approach for obtaining alternate processing facilities will be successful. As with other agreements for continuity services, availability of SSA's designated hot-site is dependent upon whether other customers of the hot-site vendor have already declared a disaster, since use of the hot-site is on a "first come, first served" basis. Under the current hot-site arrangement, SSA will be provided with the choice of two Mainframe/Midrange Recovery Centers (MRCs) and two Workarea Recovery Centers (WRCs) for recovering EDP operations. Vendor facilities in North Bergen, NJ and Columbia, MD, respectively, have been identified for SSA use. SSA needs to have the hot-site vendor

identify the secondary MRC and WRC in the event that SSA is not the first customer to declare a disaster and therefore cannot be serviced by the North Bergen and/or Columbia facilities. Once the secondary facilities have been identified, SSA needs to perform recovery tests at these locations to ensure that the resources are adequate to enable recovery of EDP operations.

While we are encouraged by the attention and level of effort SSA has directed to this issue thus far, and senior level agency management is committed to completing and fully testing a comprehensive plan, SSA remains focused on the systems aspect of continuity planning. SSA needs to ensure it includes contingency planning for operations as well as for systems in its overall plan.

Recommendations

We recommend that SSA:

- Finalize the list of critical SSA workloads and fully test the plans for recovering each workload;
- Establish RTOs for each critical workload;
- Establish recovery priorities for all systems and applications (mainframe and distributed);
- Update contingency plans for headquarters;
- Finalize and test contingency plans for non-headquarters sites;
- Have its hot-site vendor identify secondary facilities (MRC and WRC) for recovering EDP operations; and
- Finalize and test SSA's ultimate strategy for implementing and maintaining alternate processing facilities.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We conducted our audit in accordance with generally accepted auditing standards, 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. 98-08, as amended.

The management of SSA is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of SSA's compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 98-08, as amended, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 98-08, as amended.

- SSA is not in full compliance with Section 221(i) of the Social Security Act which requires periodic Continuing Disability Reviews (CDRs) for Title II beneficiaries. If CDRs are not performed timely, beneficiaries who are no longer eligible for disability may inappropriately continue to receive benefits,

including Medicare benefits. Prior to our report date, SSA was unable to provide an estimate of the total backlog of Title II cases yet to be reviewed for continuing eligibility as of September 30, 1999.

- Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, Federal accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin No. 98-08, as amended. We found weaknesses in information protection and business continuity planning, as described above. We believe these weaknesses are significant departures from certain of the requirements of OMB Circulars A-127, *Financial Management Systems*, and A-130, *Management of Federal Information Resources*, and are therefore instances of substantial noncompliance with the Federal financial management systems requirements under FFMIA. SSA should assign a high priority to the corrective actions consistent with the requirements of OMB Circular No. A-50 Revised, on audit follow-up.

Except as noted in the previous paragraph, the results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 98-08, as amended.

OBJECTIVES, SCOPE AND METHODOLOGY

SSA management is responsible for:

- Preparing the annual financial statements in conformity with generally accepted accounting principles;
- Establishing, maintaining, and assessing internal control that provides reasonable, but not absolute, assurance that the broad control objectives of OMB Bulletin No. 98-08, as amended are met; and
- Complying with applicable laws and regulations.

Our responsibilities are to:

- Express an opinion on SSA's principal financial statements;
- Obtain reasonable assurance about whether management's assertion about the effectiveness of the internal control is fairly stated, in all material respects, based upon the internal control objectives in OMB Bulletin No. 98-08, as amended, *Audit Requirements for Federal Financial Statements*, requiring that transactions be properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use or disposal; and
- Test SSA's compliance with selected provisions of laws and regulations that could materially affect the principal financial statements.

In order to fulfill these responsibilities, we:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the principal financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Evaluated the overall presentation of the principal financial statements;

- Obtained an understanding of the internal control related to safeguarding assets, compliance with laws and regulations including the execution of transactions in accordance with budget authority, financial reporting, and certain performance measures determined by management to be key and reported in the Overview of SSA and Supplemental Financial and Management Information;
- Tested relevant internal control over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of the internal control; and
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all the internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our report on management's assertion about the effectiveness of the internal control.

* * * * *

We noted other matters involving the internal control and its operation that we will communicate in a separate letter.

This report is intended solely for the information and use of the management and Inspector General of SSA, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.

PriceWaterhouseCoopers LLP

Arlington, Virginia
November 18, 1999

Appendix



SOCIAL SECURITY
Office of the Commissioner

November 16, 1999

PricewaterhouseCoopers
1616 N. Fort Myer Drive
Arlington, Virginia 22209

Ladies and Gentlemen:

We have reviewed the 1999 draft report on management's assertion about the effectiveness of the Social Security Administration's (SSA) internal controls and compliance with laws and regulations. We agree with all the findings and recommendations contained in the report and our comments and responses are enclosed.

We are pleased that the report indicates that SSA has improved controls over separation of duties to the extent that this area is no longer a reportable condition. We are also pleased that you acknowledged our notable progress in addressing the remaining two reportable conditions addressed in the report. SSA is committed to continue making improvements in these areas until all planned actions are completed. Please direct any questions on our comments to Thomas G. Staples, Associate Commissioner for Financial Policy and Operations, at (410) 965-3839.

Sincerely,

John R. Dyer
Principal Deputy Commissioner
of Social Security

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**Comments of the Social Security Administration (SSA) on
PricewaterhouseCoopers' Draft Report on the Fiscal Year (FY)
1999 Draft Report on Management's Assertion About the
Effectiveness of SSA's Internal Controls and Compliance with Laws
and Regulations**

General Comments

Thank you for the opportunity to comment on your draft report on the effectiveness of SSA's internal controls and compliance with laws and regulations. We welcome your opinion that management's assertion that SSA's systems of accounting and internal control are in compliance with the internal control objectives in Office of Management and Budget Bulletin No. 98-08, as amended, is fairly stated, in all material respects.

We are pleased that there were no new reportable conditions identified since last year's report and that the report found that SSA has improved controls over separation of duties to the extent that this area is no longer a reportable condition. We will continue to make improvements to strengthen our controls in this area.

We are also pleased that you acknowledged notable progress in addressing the remaining two reportable conditions addressed in the report; i.e., protection of information and continuity of operations. SSA is committed to continue making improvements in these areas until all planned actions are completed.

**Report on Management's Assertion About the Effectiveness of
Internal Controls**

**Finding 1, SSA Needs to Further Strengthen Controls to Protect
Its Information**

Recommendations:

We recommend that SSA accelerate and build on its progress in 1999 to enhance information protection by further strengthening its entity-wide security as it relates to implementation of physical and technical computer security mechanisms and controls throughout the organization. In general, we recommend that SSA:

- **Reevaluate its overall organization-wide security architecture;**

SSA Comment

SSA agrees with this recommendation and is initiating a full reassessment of its organization-wide security architecture to ensure that vulnerabilities, especially those introduced by new technology, are being addressed. This strategic reassessment will allow SSA to identify any additional initiatives needed to upgrade its programs. Enhancements to the existing architecture resulting from this activity will be implemented and communicated to all SSA components.

- **Reassess the security roles and responsibilities throughout the organization's central and regional office components;**

SSA Comment

SSA agrees with this recommendation and is currently reassessing security roles and responsibilities. Recently, SSA elevated the organizational structure of the entity for information systems security within the Office of Finance, Assessment and Management. Also, within the Office of Operations, a higher level security oversight group was formed and there was a reassessment of regional security officer roles to emphasize the increased importance of their roles.

- **Assure that the appropriate level of trained resources are in place to develop, implement and monitor the SSA security program;**

SSA Comment

SSA agrees with this recommendation and has enhanced security training by directing additional funds toward new security training courses for both Headquarters and regional security staffs. In addition, the Office of Systems is taking steps to improve its security program by obtaining additional expertise via contractor services.

The additional training and the organizational refocusing discussed above will ensure the appropriate level of trained resources are in place to develop, implement and monitor the SSA security program.

- **Enhance and institutionalize an entity-wide security program that facilitates strengthening of Local Area Network (LAN) and distributed systems' security;**

SSA Comment

SSA agrees with the recommendation and has been working diligently on improvements in this area. SSA will continue to enhance and institutionalize the entity-wide security program through a series of enhancements to the mainframe, LAN and distributive systems. The enhancements will include: improved monitoring of access controls, particularly in field activities; full implementation of the Enterprise Security Interface; administrative monitoring and penetration testing.

- **Review and certify system access for all users;**

SSA Comment

SSA agrees with this recommendation and continues to make progress in this area. The Office of Systems continues to work aggressively to adjust access rights under its Standardized System Profile Project.

- **Enhance procedures for removing system access when employees are transferred or leave the agency;**

SSA Comment

SSA agrees with this recommendation and will continue to improve our procedures and the comprehensive processes already in place for removing system access when employees are transferred or leave the Agency.

- **Decrease vulnerabilities in the mainframe operating system configuration;**

SSA Comment

SSA agrees with this recommendation and will continue to evaluate our mainframe operating system configuration and initiate changes to protect against threats, both deliberate and nonintentional.

- **Implement the mainframe monitoring process (Security Management Action Report (SMART Report));**

SSA Comment

SSA agrees with this recommendation. As acknowledged earlier in the report, SSA has established the SMART Report, which is distributed to the security officers responsible for the groups using the systems. While most users are in non-Headquarters offices, all users, including those in central office, are tracked and monitored. Procedures have been distributed which focus the reviews on specific types of transaction scenarios, thereby making the SMART system a more useful security management and enforcement tool. We agree that additional enhancements for increased use of the report can be made both in the field and in central office. We will continue to improve the use of the report to monitor inappropriate access to SSA's systems.

- **Finalize accreditation and certification of systems;**

SSA Comment

SSA agrees with this recommendation and either certified or recertified all of SSA's sensitive systems in July 1999.

- **Develop and implement an ongoing entity-wide information security compliance program; and**

SSA Comment

SSA agrees with this recommendation and has a number of existing and planned programs to monitor compliance with security policies and procedures. In addition to automated controls, SSA also monitors compliance through programmatic and systems audits, financial systems reviews, and other internal studies and reviews.

SSA has made progress in developing the Comprehensive Integrity Review Process (CIRP) system that will consolidate integrity review functions into a single automated facility where transactions will be screened against specific criteria. The criteria include cross-application criteria and can be changed to concentrate on emerging trends. SSA remains committed to ongoing enhancement and implementation of the CIRP system.

- **Strengthen physical access controls at non-Headquarters sites.**

SSA Comment

SSA agrees with this recommendation and is committed to strengthening security at non-Headquarters sites. We are in the process of enhancing the badging procedures and policy enforcement in the regions and other major non-Headquarters facilities. In addition, the Agency, through its security tactical plan, has been working to increase physical security at the National Computer Center (NCC) and SSA facilities around the country.

Finding 2, SSA Needs to Complete and Fully Test Its Plan for Maintaining Continuity of Operations

Recommendations:

We recommend that SSA:

- **Finalize the list of critical SSA workloads and fully test the plans for recovering each workload;**

SSA Comment

SSA agrees with this recommendation. SSA recently reevaluated and confirmed its critical workloads. Testing that will determine recoverability of all identified critical workloads is scheduled for July 2000.

- **Establish recovery time objectives (RTO) for each critical workload;**

SSA Comment

SSA agrees with this recommendation. It is SSA's goal to provide users with a fully integrated set of software to process each critical workload as rapidly as possible. As part of our July 2000 test, we plan to assess and determine realistic timeframes and sequences for restoring critical workloads. These objectives will be incorporated into the next iteration of the Disaster Recovery Plan (DRP). Subsequent DRP iterations will include timeframes and other supporting information.

- **Establish recovery priorities for all systems and applications (mainframe and distributed);**

SSA Comment

SSA agrees with this recommendation and continues to work to establish recovery priorities for all mainframe and distributed systems and applications. DRP identifies the recovery sequence of all mainframe workloads. We plan to determine realistic timeframes for reestablishing access to these workloads. In addition, SSA will work to further define the recovery of the distributed workloads.

- **Update contingency plans for Headquarters;**

SSA Comment

SSA agrees with this recommendation. In compliance with Presidential Decision Directive Number 67, Enduring Constitutional Government and Continuity of Operations Plan, SSA has convened an agencywide workgroup to develop an infrastructure for contingency planning. This includes defining organizational roles and responsibilities, essential operations and staffing, training, maintenance, etc. The actions recommended by the workgroup and approved by SSA management will be incorporated in to the Agency contingency plan.

- **Finalize and test contingency plans for non-Headquarters sites;**

SSA Comment

SSA agrees with this recommendation and is in the process of reviewing and updating all of the Security Action Plans (SAP) that are in place in its non-Headquarters facilities. The Area Directors will review and test the SAPs as they visit each site during the course of the year. The Agency also conducts field site visits to assess the security that is in place in our offices. In the course of these visits, staff will analyze the plans for effectiveness and verify that employees are familiar with their content and application.

- **Have its hot-site vendor identify secondary facilities (Mainframe/Midrange Recovery Centers (MRCs) and Workarea Recovery Centers (WRCs)) for recovering EDP operations; and**

SSA Comment

SSA agrees that secondary facilities be identified and a listing currently exists in the Inter-Agency Agreement (IAA) with the General Services Administration (GSA).

- **Finalize and test SSA's ultimate strategy for implementing and maintaining alternate processing facilities.**

SSA Comment

SSA agrees with this recommendation. Our current IAA with GSA provides SSA with a long-term, alternate facility supplied through a GSA contract. These provisions will be implemented and provide SSA access to the site for 1 year should a catastrophic event leave the NCC uninhabitable for longer than 6 weeks. SSA annually tests the use of alternate facilities when conducting its disaster recovery test of NCC operations. The extent of these tests is limited by test time constraints, the smaller configuration used for testing, availability of personnel and other such factors.

Over the years, SSA has gained significant experience in installing and running its systems on a wide variety of hardware during disaster recovery tests and benchmarking new computing platforms. We believe this experience has resulted in the development of reliable procedures that allow SSA to bring up its systems at any site. This, of course, does not remove SSA's burden of verifying that secondary sites are stocked, as indicated, by the vendor. We will evaluate the benefits of establishing orientation visits at the secondary sites.

Report on Compliance with Laws and Regulations

Findings:

SSA is not in full compliance with section 221(i) of the Social Security Act which requires periodic Continuing Disability Reviews (CDRs) for Title II beneficiaries. If CDRs are not performed timely, beneficiaries who are no longer eligible for disability may inappropriately continue to receive benefits, including Medicare benefits. Prior to our report date, SSA was

unable to provide an estimate of the total backlog of Title II cases yet to be reviewed for continuing eligibility as of September 30, 1999.

SSA Comment

We believe SSA has made significant progress towards becoming compliant with section 221 (i) by the end of next year. We recommend that this be recognized by adding the following at the end of the above finding: "Recognizing its responsibility to meet the requirements of the law, SSA has a plan to eliminate the backlog of title II CDRs and is on target to eliminate the backlog by FY 2000."

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, Federal accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin No. 98-08, as amended. We found weaknesses in information protection and business continuity planning, as described above. We believe these weaknesses are significant departures from certain of the requirements of OMB Circulars A-127, Financial Management Systems, and A-130, Management of Federal Information Resources, and are therefore instances of substantial noncompliance with the Federal financial management systems requirements under FFMIA. SSA should assign a high priority to the corrective actions consistent with the requirements of OMB Circular No. A-50 Revised, on audit follow-up.

SSA Comment

SSA partially agrees with this finding. As discussed earlier in the report and in these comments, SSA agrees with the findings and recommendations pertaining to protection of information and continuity of operations and we are committed to continue making improvements in these areas until all planned actions are completed. However, we do not agree that these are instances of substantial noncompliance. Furthermore, due to the fact that there were no new reportable conditions identified since last year's report and that SSA has improved controls over separation of duties to the extent that the area is no longer a reportable condition, we believe that SSA is, overall, in substantial compliance with the Federal Financial Management Improvement Act.

Social Security Administration Office of the Inspector General

Semiannual Report to Congress



Mission/Vision Statement

Mission

We improve the Social Security Administration's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management.

Message from the Inspector General

Usually at this time of year, Office of the Inspectors General provide to their Agency heads a Semiannual Report. This is the fourth time since Congress created an independent Social Security Administration (SSA) that the Office of the Inspector General (OIG) has joined with the Agency to present our accomplishments to our stakeholders and partners in SSA's Accountability Report. We are pleased to be a part of this endeavor to streamline and consolidate the statutory reporting requirements.



This year our investigative operations have led to unprecedented results. The Cooperative Disability Investigations team project and the Fugitive Felon project have identified over \$64 million in overpayments and projected savings to the Government. The monetary results of these two projects alone exceed our Fiscal Year 1999 appropriation and coupled with our audit work and our investigative results we estimate that we surpassed our appropriation by over \$300 million. Also this year, our Office of the Counsel to the Inspector General was instrumental in the prosecution of individuals guilty of violating section 1140 of the Social Security Act (i.e., misleading advertising). This action sends a clear message to the direct mailing industry that bilking consumers under Social Security's good name will not be tolerated.

Anticipating an increase in requests to provide Congress, SSA management, and the general public with information and advice, I also created a Quick Response Team within the Office of Audit (OA). This team focuses on a variety of pressing issues requiring immediate attention. In addition, OA and the Office of Investigations have joined forces in the areas of Social Security number misuse and Supplemental Security Income program integrity. We find this approach the best use of our resources to improve the management and integrity in SSA's programs. With congressional support, we also strengthened our audit capacity to meet the requirements of the Government Performance and Results Act.

Our Office of Quality Assurance completed its first full year of operation. This office reviews OIG activities nationwide to ensure that our audits, investigations, and administrative functions are conducted in accordance with Federal requirements and guidelines as well as our self-imposed policies and procedures.

Our organization recognizes the necessity to build upon our efforts to date. We have created a flexible and responsive organization. I expect that in the future, Government decision-makers will rely upon our process even more for timely information and advice. We look forward to this challenge and will strive to achieve the highest level of integrity and accountability in all our efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.
Inspector General

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Reporting Requirements

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to their appropriate pages in this report.

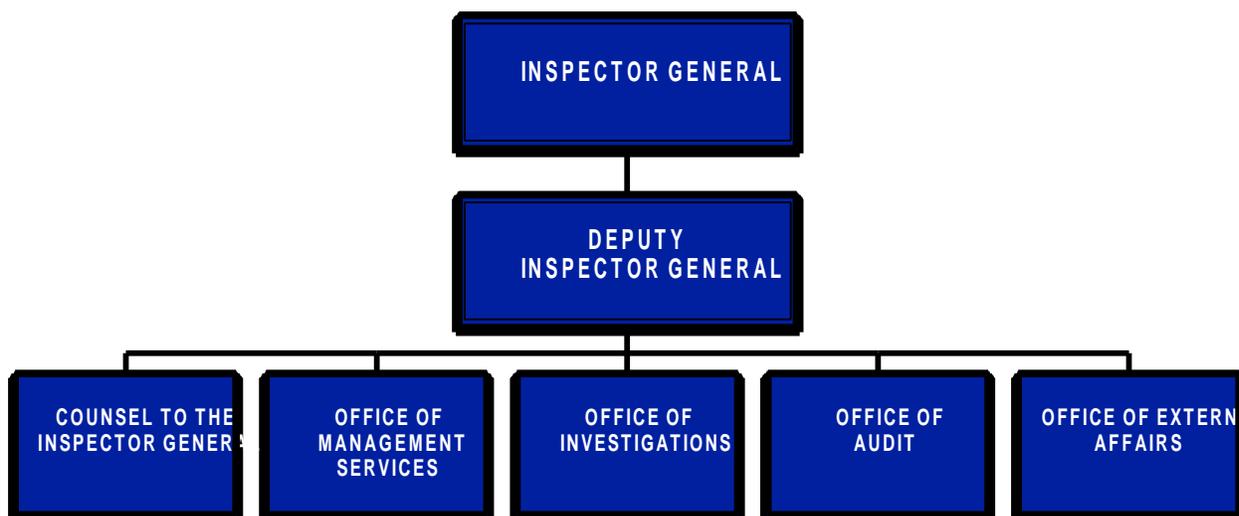
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Significant Activities

The Social Security Administration's (SSA) Office of the Inspector General (OIG) is comprised of the Offices of Audit (OA) and Investigations (OI) and is supported by the Offices of Management Services, External Affairs, and the Counsel to the Inspector General (OCIG). These offices planned and executed OIG operations for the past fiscal year (FY). This section provides a snapshot of our most notable efforts. Details on the specific accomplishments of OCIG, OI, and OA are contained in their respective sections of this report.

Cooperative Initiatives to Address Identity Theft and Fraud

The Identity Theft and Assumption Deterrence Act of 1998 (P.L. 105-318), commonly called the Identity Theft Act, acknowledges that the Social Security number (SSN) is a means of identifying an individual. This legislation empowers law enforcement authorities to arrest, prosecute, and convict individuals who fraudulently use another person's SSN to create a false identity. This law also charges the Federal Trade Commission (FTC) with establishing a centralized identity theft complaint data base and providing informational material on identity theft to complainants. In addition, the FTC may refer identity theft allegations to appropriate Federal, State, or local law enforcement agencies, as well as to the three major credit bureaus.



Armed with this new statute, OIG is working collectively with other Federal organizations to reduce the incidents and impact of these crimes. Over the past FY, OIG's proactive stance in addressing identity theft included our participation in the following activities.

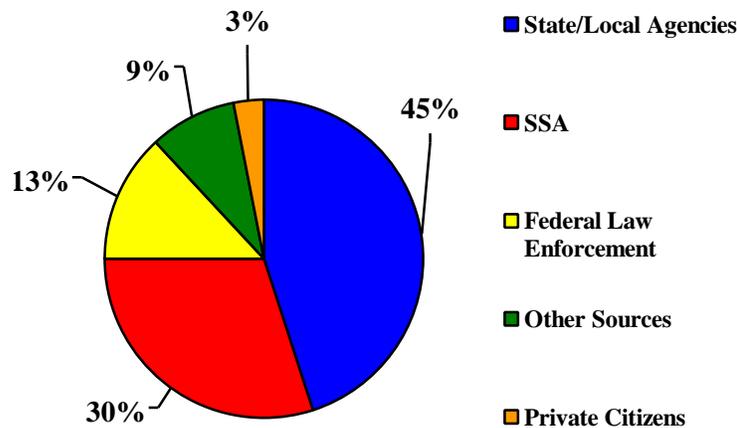
- OIG worked with the FTC to develop educational and informational material that is consistent throughout the Federal Government for victims of identity theft.
- OIG reviewed and provided input on FTC's proposed identity theft complaint form.
- OIG is a member of the Identity Theft Subcommittee, of the Law Enforcement Initiatives Committee, of the Attorney General's Council on White-Collar Crime at the Department of Justice. It gauges the extent of the identity theft problem and determines if other enforcement initiatives or strategies are needed.
- OIG is participating in the planning of the Department of the Treasury's "Summit on Identity Theft" scheduled for FY 2000.
- OIG staff members attended a conference of Federal, State, and local law enforcement agencies at the U.S. Attorney's Office in Milwaukee, Wisconsin, to discuss the implementation of the new Identity Theft Act.
- OCIG wrote an article entitled "Social Security Number Misuse and Identity Theft" for the FTC's Summer 1999 issue of *Fraudbusters!* Magazine.
- OIG staff members met with U.S. Sentencing Commission representatives to discuss sentencing guidelines for individuals convicted of identity theft.
- OIG staff members met with representatives of Canada National Services on June 29, 1999, to discuss identity theft enforcement and methodologies.
- OA prepared an analysis of SSN misuse allegations made to SSA's Fraud Hotline (Hotline) that found over 81 percent of these types of allegations are related to identity theft.
- OI launched SSN misuse pilot projects in five cities across the Nation. As part of these projects, OI has started to receive identity theft complaints from the FTC. Special Agents provide the lead in working with various Federal and State agencies along with the Assistant U.S. Attorneys and State Prosecutors on SSN misuse allegations referred to OIG.
- As a result of the substantial numbers of SSN misuse allegations, OI and OA have combined resources and are working together to identify and investigate SSN fraud. OA identifies potential fraud cases and refers them to OI for investigation.
- OI was responsible for the first indictment and conviction of an individual for identity theft under the Identity Theft Act. The details of this case are described later in the report.

The SSA Fraud Hotline

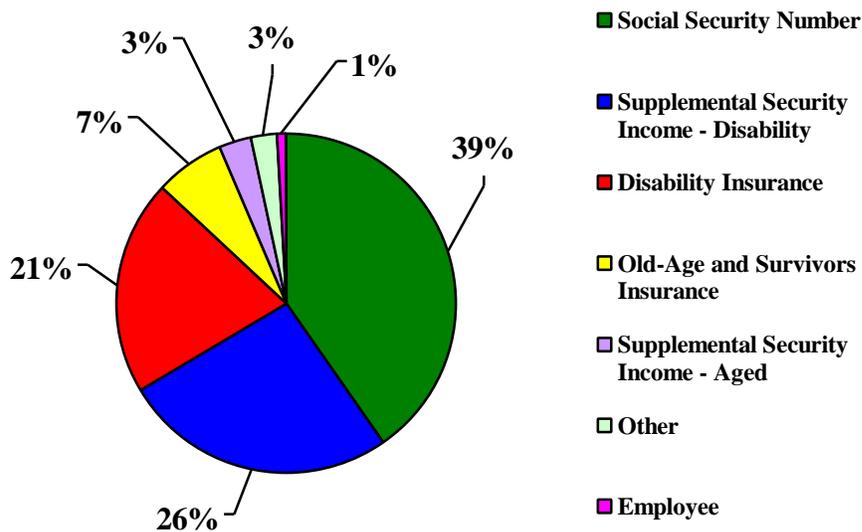
OI oversees the operation of the Hotline, which is the focal point for receiving allegations of fraud, waste, and abuse against SSA's programs and operations.

In FY 1999, the Hotline processed nearly 75,000 allegations representing a 150 percent increase in productivity from FY 1998. This is partially attributed to an increase in Hotline staff during FY 1999. This increase was necessary in order to handle the large volume of allegations received from the public; SSA employees; other Federal, State, and local authorities; and Congress.

Sources of Allegations



Allegations by Category



Efforts to Combat Misleading Advertising

Section 1140 of the Social Security Act prohibits the use of SSA's program words, letters, symbols, or emblems in advertisements or other communications that imply or falsely convey SSA's approval, endorsement, or authorization. The Commissioner of SSA delegated the authority to impose Civil Monetary Penalties (CMP) against violators to OIG. OCIG administers this program for OIG.

A major CMP settlement was reached with two of four defendants in the Federal Records Service Corporation (FRSC) case. FRSC targeted new brides and new mothers with deceptive SSA-related advertisements. OCIG initially issued a cease and desist letter to FRSC. When FRSC continued to mail its deceptive solicitations, OCIG issued a "Notice of Proposal to Impose Penalties" letter in the amount of \$640,000.

OCIG subsequently partnered with OI, SSA's Office of the General Counsel, and the Department of Justice to develop a strong case, effectuate a preliminary injunction, and negotiate a favorable settlement of this matter. Under the terms of the settlement, FRSC will be dissolved and the first two defendants will pay a penalty of \$845,000 to the Social Security Trust Fund. Of that amount, \$195,000 is in cash and \$650,000 will be paid over the next 10 years, with future payments based on the amount of income that the company president earns outside of the direct mailing industry.

Because of our success in prosecuting FRSC, the Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations, requested

the Acting Inspector General to submit a statement for the record concerning our efforts to curb deceptive mailings. This statement included details about the FRSC case and also highlighted the following investigation.

OI investigated an individual who contacted SSA beneficiaries by telephone or by mail, alleging to be an SSA employee. He would mail correspondence bearing the words "Social Security Administration" and the official SSA seal advising SSA beneficiaries that they had been approved to receive additional benefits. He would request a processing fee ranging from \$9 to \$99 and would also require additional financial information to process the benefits. Using this information he would create bank drafts and withdraw money directly from the victims' checking accounts. As a result of OI's investigation, the individual was sentenced in Federal court to 36 months' incarceration, a fine of \$7,500, and restitution of \$6,736.17 to 20 SSA beneficiaries.

Cooperative Disability Investigations

SSA and OIG developed the concept of Cooperative Disability Investigations (CDI) teams. This project initially established five CDI teams in Georgia, Louisiana, Illinois, New York, and California. These teams are composed of OIG Special Agents and State law enforcement officers, as well as SSA and State Disability Determination Service (DDS) claims professionals. These teams use their combined resources and talents to investigate suspicious initial and continuing claims of disability and seek to have the Department of Justice prosecute third parties that facilitate disability fraud.

The DDS refers suspicious cases to the team, which in turn collects evidence to verify or refute the suspicion. If the team confirms that the claim is fraudulent, the DDS is notified and either denies the application or terminates benefits.

During FY 1999, these five CDI teams received 1,098 allegations of fraud or false applications, and confirmed 378 cases of fraud or false applications. In addition, the teams documented \$362,739 in restitution and scheduled recoveries to SSA, identified \$20,366,102 in estimated SSA program savings, and reported an additional \$6,309,860 in estimated savings to other Federal and State programs. Because of their success, new teams were established in Missouri, Oregon, and Texas during FY 1999.

SSA and OIG derive an additional benefit from these units. As more and more fraudulent claims are denied, investigators gather valuable intelligence that helps to identify patterns of criminal activity. This project also deters false applications and eliminates the perception of “easy money.”

Fugitive Felon Project

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act) made individuals ineligible to receive

Supplemental Security Income (SSI) during any month in which the recipient is fleeing to avoid prosecution for a felony; fleeing to avoid custody or confinement after conviction for a felony; or violating a condition of probation or parole imposed under Federal or State law.

This project identifies individuals illegally receiving SSI by conducting computer matches with the Federal Bureau of Investigation (FBI), the U.S. Marshals Service, and State agencies. When OI Special Agents identify SSI recipients who are fugitives, they notify SSA. SSA stops payments and calculates overpayments. In addition, OI Special Agents assist State and local law enforcement with the fugitives’ apprehension.

In FY 1999, OI identified 7,421 fugitives who were overpaid a total of \$17,219,213. This also resulted in estimated program savings of \$27,087,149. Out of the 7,421 fugitives, 1,586 have been arrested. OI identified 4,375 more fugitives in the second half of the FY (after only one State match in June 1999). This represents about a 287 percent increase in the second half of the FY over the prior period. The chart below summarizes OI’s Fugitive Felon Project achievements.

<i>STATISTICS FOR THE FUGITIVE FELON PROJECT – FY 1999</i>				
	<i>Fugitives Identified</i>	<i>Fugitives Arrested</i>	<i>Overpayments</i>	<i>Estimated Savings</i>
<i>October 1998 – March 1999</i>	1,523	633	\$6.7 million	\$12.2 million
<i>April 1999 – September 1999</i>	5,898	953	\$10.5 million	\$14.8 million
<i>Total</i>	7,421	1,586	\$17.2 million	\$27.0 million

Office of the Counsel to the Inspector General

OCIG provides legal advice and counsel to the Inspector General on various matters, including:

(1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs;
(2) investigative procedures and techniques;
and (3) legal implications and conclusions to be drawn from audit and investigative material produced by OIG.

OCIG is also responsible for regulatory commentary pursuant to The Inspector General Act of 1978, as amended. Finally, the Commissioner of SSA delegated the CMP authority under section 1140 and section 1129 of the Social Security Act to OIG. OCIG is responsible for implementing this program which has been instrumental in advancing SSA's initiative of "Zero Tolerance for Fraud."

Civil Monetary Penalties

Section 1140 – Misleading Advertising

In addition to the major settlement with FRSC cited earlier, in FY 1999, OCIG reviewed complaints or referrals involving 37 new entities and issued 12 cease and desist letters. OCIG also closed 35 existing and/or new cases because companies either voluntarily modified their advertisement, ceased mailing, or there was no violation of section 1140. Currently, there are 29 potential section 1140 cases under review.

The following are additional examples of misleading advertising cases processed by OCIG this FY.

- A company called U.S. Document Records (USDR) based in Atlanta, Georgia, charged \$16 to individuals to process name changes for newly married women. USDR did so using a highly misleading mailing that included an actual SSA application form. USDR requested that individuals complete the form and provide original or certified marriage documents. On January 26, 1999, OCIG issued a cease and desist letter and the owners agreed to voluntarily comply and ceased business as USDR.
- A company called U.S. Document Services (USDS) based in Plano, Texas, charged \$12 to individuals to process name changes for newly married women. OCIG notified the company and requested that it modify its solicitation in accordance with the judge's order in the FRSC case; otherwise it would face administrative action. USDS communicated to OCIG that it decided to leave the direct mail industry altogether rather than make the disclosures called for by the judge's order. On September 23, 1999, OCIG sent a letter to the company confirming its decision to permanently cease operations.

Section 1129 – False Statements

Under section 1129 of the Social Security Act, and as authorized by the Attorney General pursuant to established procedures, SSA may impose CMPs against individuals who make certain material false statements or omissions (after October 1, 1994) in order to receive benefits under the Social Security Act. Specifically, this section allows OIG to impose a \$5,000 penalty for each false statement and an assessment of up to twice the amount of benefits paid because of the false statement.

During FY 1999, OCIG reviewed 41 new referrals and imposed a total of \$110,441.17 in penalties and assessments in 8 final CMP actions. OCIG continued its initiative with OI to increase the number of section 1129 referrals where criminal and civil declinations from the Department of Justice have already been obtained. As a result, the number of referrals increased from 5 in the first half of FY 1999 to 36 in the second half. The following cases highlight some of the most significant work.

- A perceptive SSA employee informed OI about a couple who misrepresented business income to receive higher Social Security benefits. Penalties and assessments of \$38,000 were imposed against the couple.

- OCIG imposed penalties and assessments totaling \$10,693.27 against a representative payee (Rep Payee) who made a series of false statements to SSA, in an attempt to conceal the recent death of a beneficiary. Because of these false statements, the Rep Payee improperly secured and cashed several benefit checks.

Legislative Review and Advocacy

OCIG reviewed the Legislative Package for the Social Security Amendments for 1999 and suggested to SSA that the legislative package include the following.

- Expand section 1129 of the Social Security Act 42 U.S.C. § 1320a-8, CMPs (enforced by OIG), to include the misuse of Social Security cards and numbers and the misuse of benefits by Rep Payees.
- Provide for the increase of the maximum imprisonment for Social Security Fraud under section 208 of the Act and section 1632 of the Act from 5 years to 10 years.
- Provide for statutory law enforcement authority for OI Special Agents.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA’s programs and operations. It investigates wrongdoing by applicants, beneficiaries, contractors, Rep Payees, third-party facilitators, and SSA employees. The Office frequently conducts joint investigations with other Federal, State, and local law enforcement agencies. OI is also responsible for operating the Hotline.

OI focuses its work in the six areas in SSA’s programs and operations that have potential for widespread fraud and abuse. These six areas are:

- Employee Fraud,
- Disability Fraud,
- SSI Eligibility Fraud,
- Institutionalization,
- Payments Made to Deceased Individuals, and
- SSN Misuse.

During this FY, OI reached new heights in its investigative results as shown in the charts below. The following sections highlight OI’s investigative projects and cases.

Investigative Statistics	
<i>Allegations Received</i>	74,360
<i>Cases Opened</i>	9,238
<i>Cases Closed</i>	7,308
<i>Convictions</i>	3,139*

*includes 593 illegal alien apprehensions and 1,586 fugitives

	SSA Funds	Non-SSA Funds*	Total Funds
Scheduled Recoveries	\$26,198,304	\$1,279,125	\$27,477,429
Fines	\$172,940	\$752,905	\$925,845
Settlements/ Judgments	\$734,069	\$105,500	\$839,569
Restitution	\$13,165,784	\$12,545,253	\$25,711,037
Estimated Savings	\$144,235,534	\$14,766,442	\$159,001,976
Total	\$184,506,631	\$29,449,225	\$213,955,856

*Non-SSA Funds represent monies attributed to other government organizations and financial institutions that benefit from the results of OI’s investigative work.

Employee Fraud

While employee fraud comprises the fewest number of allegations and cases, it is still an OI priority. One employee working alone or with conspirators can corrupt the system, cause financial losses to the Trust Fund, co-opt claimants and other employees, and undermine the integrity of SSA's programs.

In an ongoing cooperative project with three financial institutions, OI has identified eight SSA employees who provided confidential SSN data to individuals who used the information to fraudulently activate credit cards. During FY 1999, this effort identified \$2.5 million in fraud losses to the financial institutions.

In addition to this project, OI conducted other employee investigations. The following highlights two of these cases.

Two Employees Sentenced for Defrauding SSA

OI investigated two SSA employees who misused their positions to defraud SSA programs. The principal offender worked as a Benefits Authorizer in a program service center. In this capacity, the employee authorized the issuance of SSA checks payable to herself, as well as her relatives, friends, and acquaintances. The employee solicited a fellow worker to expand the scheme.

As a result of this investigation, both employees were terminated from their SSA positions and prosecuted in Federal court. The principal SSA employee was sentenced to 15 months in prison and 3 years' probation and was ordered to pay SSA \$174,312 in restitution. The second employee was sentenced to 5 years'

supervised probation and ordered to pay SSA \$20,993 in restitution.

Employee Accesses Confidential Information on Individuals in the Local Business Community

On June 17, 1999, an SSA employee pled guilty to a Criminal Information that charged her with unauthorized access of SSA's systems from 1993 through at least November 18, 1997. As part of a signed Plea Agreement, she was required to pay restitution of \$4,658 to SSA, a special assessment of \$25, and resign from her position.

This case was initiated based on an anonymous letter sent to a former U.S. Attorney in Chicago. The author alleged that the SSA employee had accessed the U.S. Attorney's SSA records, as well as those of his deceased brother. OIG confirmed the access and also learned during the investigation that the SSA employee had made many other unauthorized queries. She even obtained earnings information for individuals in the local business community. These individuals included the bank president, a pharmacist, a physician, an attorney, and even her treating psychologist.

Disability Fraud

Disability fraud allegations represent about 47 percent of all fraud allegations reported to OI. The CDI teams, discussed earlier in our report, significantly contribute to our efforts in combating disability fraud. CDI teams focus on "prevention" of fraud and detection of ineligible recipients is usually resolved administratively. The following cases highlight the CDI work for FY 1999.

Atlanta. This team conducted an investigation of an individual who claimed

that his mental disability prevented him from operating his business and functioning outside the home. Third-party interviews indicated that the claimant not only ran the business on a daily basis, but also increased his level of work activity after the loss of his only employee. CDI investigators also determined that this individual was receiving concurrent benefits from the Department of Veterans Affairs (VA) for Post-Traumatic Stress Syndrome. The CDI team is cooperating with the VA's OIG, which is seeking termination of the VA benefits. The individual's disability claim was denied and prosecutorial decisions are pending.

Baton Rouge. This team investigated a 29-year-old Social Security and SSI recipient who was scheduled for a Continuing Disability Review (CDR). The woman reported that she suffered from a "nervous condition, depression, leg and stomach pain" after contracting hepatitis. She also alleged she was unable to perform

simple tasks such as combing her hair and dressing herself. She repeatedly claimed that she seldom, if ever, drove a vehicle. During examinations with physicians and a psychiatrist, she routinely gave nonsensical answers.

Investigators determined that the claimant had qualified to become a school bus driver and possessed a Commercial Driver's License (CDL). To obtain the CDL, the woman had to complete a 4-week training course, during and after which she was reported to have been articulate, knowledgeable, and proficient. The CDL also required a physical examination, at which she professed to be healthy and without any physical, mental, or emotional problems that would affect her ability to safely operate a school bus. SSA took action to end her disability benefits as a result of this investigation.

FY 99 CDI STATISTICS						
	Atlanta	Chicago	Dallas	Los Angeles	New York City	Total
Allegations Received	219	145	144	394	196	1,098
Confirmed Fraud Cases	96	30	32	150	70	378
SSA Recoveries & Restitution	78,737	0	0	55,392	228,610	362,739
SSA Savings	4,751,355	1,871,685	1,900,979	8,237,667	3,604,416	20,366,102
Non-SSA Savings	925,245	1,305,500	0	3,993,533	85,582	6,309,860

Chicago. This team investigated a man who claimed that he wore a back brace, walked with a cane, and suffered from depression, headaches and memory loss. During an undercover operation, the man indicated to CDI investigators that he was seeking work in engineering and provided his resume. He was also videotaped lifting 7 – 10 pound boxes of documents. Armed with this information, SSA denied his application for disability benefits and saved an estimated \$66,500 by preventing this individual from coming onto the rolls. The case was declined for prosecution.

New York City. This team conducted an investigation of an individual that owned and operated a travel agency for the past 10 years while simultaneously receiving Social Security disability benefits. The team observed and videotaped the man working alone at his office. When confronted by investigators, the individual voluntarily signed a statement in which he admitted to the work activity. As a result, in May 1999, this individual's disability benefits were stopped and SSA determined that the individual was overpaid \$28,777. This case is pending criminally.

Oakland. This team investigated a 51-year-old female applicant who alleged back problems and at a medical examination relied heavily on two crutches. The medical examination found that there were few physical findings to support the need for crutches. Investigators subsequently conducted surveillance and observed the subject walking approximately $\frac{3}{4}$ of a mile and minimally relying on only one crutch. At different points during her walk she did not use the crutch at all. Based on this evidence, SSA reopened and denied her claim.

In addition to the CDI teams' proactive efforts to identify and address disability

fraud, other instances of disability fraud and abuse are reported to, and investigated by, our field divisions nationwide. Two cases are featured in the following.

Man Fraudulently Receives Disability Benefits for 25 Years

OI conducted a joint investigation with the U.S. Postal Inspection Service of a man who created a false identity to continue receiving disability benefits while he was gainfully employed. The man created a second identity under which he was employed as a truck driver. The man continued the scheme for over 25 years while earning enough income that would have disqualified him for benefits. The man pled guilty to Social Security fraud and was sentenced to 366 days' incarceration, 3 years' supervised release, and was ordered to pay SSA \$131,210 restitution.

Man Caught After 13 Years of Working while Receiving Disability Benefits

OI and the U.S. Postal Inspection Service conducted another investigation of a disability beneficiary who was working under another SSN. The investigation determined that the individual had worked at a U.S. Postal Service facility under the second SSN since 1984. SSA overpaid the individual and his family \$109,116.

The individual was prosecuted civilly through the Department of Justice's Affirmative Civil Enforcement program. Based on a "Stipulation For Judgment By Consent," the individual agreed to pay damages of \$167,000.

SSI Eligibility Fraud

The SSI Eligibility Fraud initiative was established to identify ineligible SSI

recipients, stop fraudulent payments, recover monies, and initiate administrative actions and criminal investigations when possible. The primary theme driving the project is to identify SSI recipients who may not reside in the United States, may be deceased, or may be fictitious—and who have not had a recent, face-to-face redetermination.

In FY 1999, OI had four projects related to this initiative. The following highlights the accomplishments of these efforts.

New York Project. The New York Field Division continued its partnership with SSA's Region II in a major SSI Eligibility Verification Project. During FY 1999, statistical accomplishments included: 86 investigations that resulted in locating 3,930 individuals whose overpayments amounted to \$7,838,128. The suspension and termination of these benefits to individuals resulted in \$56,002,816 in estimated savings. The ineligible recipients fall into a number of categories including those who:

- Were absent from the United States or who failed to correctly report their time outside of the United States.
- Failed to respond to SSA's official notice to report or provide required information.
- Were found to be deceased.
- Exceeded SSI income and resource levels.

OI continues to review project results and open criminal cases as information warrants.

During June 1999, the next phase of the New York Project was initiated involving a sample of 15,992 additional SSI recipients who will be evaluated and selected for redetermination interviews. Because of the

success of the New York project, SSA along with OIG are working together to expand this project to other areas. For example, this project was expanded to New Jersey where an additional 7,982 SSI recipients were selected for review.

Chicago Project. In October 1998, OIG selected a group of 1,177 SSI recipients in the Chicago area for review. OI mailed questionnaires to these individuals and from these, OI identified 598 recipients who were then scheduled for redetermination interviews. During the first 2 weeks of December 1998, a team consisting of OI Special Agents and SSA Region V representatives interviewed 316 of these recipients. The remaining 282 recipients were scheduled for redetermination interviews by the local SSA field offices (FO). The interviews and redeterminations are now completed. It was determined that 81 subjects were overpaid a total of \$88,593, and their suspensions and terminations resulted in \$1.4 million in estimated savings.

Miami Project. At our request, the State of Florida agreed to work with OI to identify SSI recipients believed to be ineligible for SSI; this resulted in a list of 8,900 individuals. OI reviewed this list and identified 857 high-risk cases. SSA agreed to conduct eligibility redeterminations for these recipients and mailed them a letter requesting that they visit the local SSA FO for an eligibility redetermination interview.

During February 1999, OIG conducted unannounced visits to recipients who did not respond to the request for a redetermination and to recipients whose addresses could not be verified by their bank or the U.S. Postal Service.

Eighty-eight individuals were overpaid a total of \$284,004 and their suspensions and terminations resulted in \$810,140 in estimated savings.

Dallas Project. At the request of the Immigration and Naturalization Service (INS) and the U.S. Customs Service, OI conducted a special operation at ports of entry to identify ineligible SSI recipients. Phase I was held in Laredo, Texas, in August 1998; Phase II was held in Eagle Pass, Texas, in December 1998; and Phase III was conducted in Brownsville, Texas, in February 1999. All three phases resulted in 64 investigations involving 69 individuals with a fraud loss of \$186,047 and estimated savings of \$284,921.

Of the 69 subjects, 47 involve SSI fraud with 9 SSI cases from the Laredo initiative accepted for Federal prosecution in FY 1999. In July 1999, three individuals found to be residing outside the United States while receiving SSI payments were arrested. The remainder of the cases from the three phases involves SSN card fraud and tax evasion. Additionally, the Texas Department of Human Services Inspector General has reported a fraud loss in the Texas State Medicaid program of \$482,653 from this investigation.

The OI field divisions also conducted the following investigations involving SSI fraud.

Man Embezzles over \$55,000 in SSI Disability Benefits

An OI investigation determined that a man converted approximately \$55,000 in SSI disability benefits to his own use. He worked at a company that served as the Rep Payee for SSI recipients. The man embezzled the funds earmarked for these individuals.

He was ordered to repay \$53,110 and was sentenced to 4 months' imprisonment, followed by 4 months' community confinement and 5 years' supervised release. He was also ordered to receive mental health treatment.

Rep Payee Sentenced for SSI Fraud

The Connecticut Chief State's Attorney's Office (CSAO) referred a case involving a man who was the Rep Payee for his parents, who were receiving concurrent SSI and Social Security disability benefits. CSAO had been investigating the individual for arson and determined during their investigation that he had defrauded the State and SSA by failing to report that his parents were residing in Portugal while collecting benefits from SSA and the State. The investigation also revealed that his father died in Portugal in 1993.

The man pled guilty to larceny and the fraud against SSA and the State. He was sentenced to 3 years' incarceration and 5 years' probation. As part of his guilty plea, the man released \$121,000 from an escrowed account to the State of Connecticut; \$8,975.68 of that amount was paid to SSA as full restitution.

Institutionalization

In most instances, the Social Security Act prohibits SSI payments to individuals who are confined or reside in a public institution for a full calendar month. The Act also prohibits Old-Age, Survivors and Disability Insurance (OASDI) payments to individuals who are confined in a penal institution after being convicted of an offense punishable by imprisonment for more than 1 year and those individuals who are confined by court order in an institution at public expense in connection with specific verdicts or findings in certain criminal cases. As highlighted

earlier in our Fugitive Felon Project discussion, an August 1996 change to the Social Security Act also makes a person ineligible for SSI payments if they are a fugitive from justice.

The following cases highlight OI's effort in this area.

SSI Recipient Arrested for Shooting a New York City Police Officer

The New York City (NYC) Police Department requested OI's assistance with an investigation involving a man who was wanted in connection with the shooting of a NYC Police Officer. The New York State Division of Parole also wanted the individual for violating his parole. OI's investigation led to a Pennsylvania address where the individual was arrested. After his arrest the individual confessed and named his accomplices. This led to the apprehension of four additional suspects who were involved in the crime. The investigation resulted in a fraud loss to SSA of \$2,181 and estimated savings of \$35,220.

Rep Payee Failed to Report Son's Incarceration

A Rep Payee was sentenced to 5 years' probation and ordered to make restitution to SSA in the amount of \$93,667. The individual failed to notify SSA that her son, a beneficiary, was incarcerated. The investigation disclosed that the son began receiving disability benefits in 1979. In 1985, his mother became his Rep Payee. In 1987, the son was imprisoned for armed robbery and was paroled in 1991. He was imprisoned again in 1991 and remained incarcerated until January 1997. In July 1997, the son was arrested on Federal charges and in May 1998 he escaped.

Approximately 4 days later he was convicted in his absence and is currently a fugitive.

Fugitive Felon Arrested after Being Wanted for 6 Years

When a fugitive felon contacted SSA about his SSI payments, an alert SSA employee determined that there was an outstanding arrest warrant on his record. The employee notified her supervisor who immediately referred the case to OI. Special Agents assisted the local police department in arresting the fugitive, once they verified the warrant. The fugitive was overpaid \$47,859.60 in SSI payments. This fugitive had been wanted for 6 years on a charge of molestation of a child under the age of 14.

Payments Made to Deceased Individuals

OI receives allegations about individuals who are illegally receiving Social Security payments issued to deceased SSA beneficiaries. This information is received from a variety of sources including SSA, Federal, State and local agencies, businesses, and concerned citizens. Due to the frequency of these referrals, OI has developed, implemented, and participated in projects to identify unreported deaths and individuals who negotiate payments issued to deceased individuals.

For example, OI participated with SSA and its field offices in its Centenarian and Nonagenarian projects. As part of the project, SSA's field offices contact all beneficiaries who attained the age of 98, 99, or 100 during FY 1999. During this period, SSA identified and verified the status of 87,955 Centenarian/Nonagenarian cases for review, which resulted in 116 referrals to OIG.

The following three cases highlight some of OI's work related to this area.

Man Sentenced for Fraudulently Obtaining \$97,000 in Social Security Benefits by Concealing the Death of His Father

Based on an SSA referral, OI conducted an investigation of an individual who refused to divulge the location of his 101-year-old father, who had been receiving Social Security benefits since January 1961. There was strong suspicion that the father was deceased and that the son had concealed his father's death to continue receiving the father's benefits.

During interviews with the son, Special Agents were unable to determine the father's whereabouts. They also could not find a death certificate filed with the State Bureau of Vital Statistics; however, their investigation later determined that the father died in 1970.

The son pled guilty to Social Security fraud in Federal court. He was sentenced to 21 months in prison and ordered to make restitution to SSA totaling \$97,141. He was also ordered to pay a \$2,500 fine and a \$200 special assessment fee. To ensure full restitution, the judge ordered the man to consign to SSA his lease agreement with Bell South Corporation for a telecommunications tower located on his property.

Husband and Wife Scheme to Embezzle Deceased Parents' Benefits

A husband and wife were sentenced to 5 years' probation and ordered to pay joint restitution of \$100,357 to SSA after pleading guilty to the embezzlement of Social Security benefits intended for the wife's deceased parents.

An investigation conducted by OI and the U.S. Secret Service determined that the wife's parents, who were Social Security beneficiaries, died in 1994. Their deaths were not reported to SSA. SSA benefits totaling \$100,357 continued to be direct deposited into the deceased couples' bank account. After their deaths, the daughter and her husband assumed the identities of the deceased parents and continued to use the benefits for their own personal gain. In furtherance of the scheme, the daughter, impersonating her mother, called and wrote letters to SSA.

79-Year-Old Son Cashed Deceased Mother's Checks

As part of the "Centenarian Project," an SSA FO was unable to contact and verify receipt of benefits for an SSA beneficiary over age 100. OI conducted an investigation revealing that the 79-year-old son of the deceased had been cashing his mother's SSA checks since her death in 1981. Loss to SSA was \$117,494. Because of the son's age, it was determined that a civil action through the Department of Justice's Affirmative Civil Enforcement program was appropriate. As a result, the son was ordered to pay triple damages and a \$10,000 fine to SSA. The total was \$352,482.

SSN Misuse

The expanded use of the SSN as an identifier has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and using SSNs belonging to another to obtain benefits and services from Federal programs, credit card companies, retailers, and other businesses.

Because of the passage of the Identity Theft Act, OI has stepped up its focus on SSN misuse investigations.

The following cases highlight both program-related and other SSN misuse investigations.

Program Fraud Cases

Defendant Convicted of Violating New Identity Theft Statute

OI received a referral from the Wisconsin Capitol Police, which resulted in what is believed to be the first Federal prosecution under the new Identity Theft Act. On April 21, 1999, an SSI recipient was indicted for identity theft, SSN misuse, and making false statements to SSA and the Internal Revenue Service (IRS).

OI's investigation revealed that the man had obtained the SSN of another individual and then used the SSN to obtain employment as a cleaning crew supervisor. He subsequently stole over \$80,000 in computer equipment from the State of Wisconsin office where he worked. In addition, the man had falsely told SSA that he was not employed in order to receive full SSI payments, which resulted in an overpayment in excess of \$6,800. He also used the SSN of the victim to obtain a Wisconsin Identification card that he then used to open a bank account in the victim's name. He also filed false income tax returns with the IRS using the victim's name and SSN.

The man was sentenced to 21 months in prison and ordered to pay \$62,846 in restitution to the Wisconsin Supreme Court.

SSI Recipient Receives Benefits under Two SSNs

An individual applied for and was issued two SSNs after submitting false information to SSA. In 1974, he applied for and began receiving SSI payments under one SSN. In July 1990, he applied for and began receiving

SSI payments under the second SSN. This scheme allowed him to unlawfully obtain SSI payments and an additional \$5,000 in food stamps and Ohio welfare assistance payments. Special Agents arrested the man on a Federal warrant. He was charged with knowingly stealing, embezzling, purloining, and converting SSI funds for his own use in the amount of \$92,018.08.

Man Sentenced to 1-Year Imprisonment for Collecting Disability Benefits while Working Under Another SSN

SSA provided information to OIG which resulted in an investigation of an individual who had been collecting disability benefits since September 1991, and at the same time working under an assumed name and SSN. During an interview with OI Special Agents, the individual confessed and provided a signed sworn statement. A Federal district judge sentenced the individual to 1-year imprisonment and 3 years' probation. He was ordered to pay a special assessment of \$100 and to make \$73,398 restitution to SSA.

Man Assumes Deceased Individual's Identity to Conceal Work Activity

A Social Security disability beneficiary admitted using the name and SSN of a deceased individual to work. While working under the deceased's name and SSN, he also staged accidents and filed workers' compensation claims for alleged injuries.

He pled guilty to Theft of Government Money and was sentenced to 5 months' custody of the Bureau of Prisons to be followed by 3 years' supervised release. He was ordered to pay \$56,728.33 restitution to the SSA.

Man Obtains SSN to Create False Identity and Conceal Employment

OI's investigation revealed that a man devised a fictitious identity by fraudulently obtaining an SSN in 1970. He used this fictitious identity to prevent unpaid creditors from garnishing his wages. The man also applied for Social Security disability benefits in 1976 under his true SSN. Shortly after he was awarded benefits, he returned to work. For the next 23 years he concealed his earnings under the fictitious SSN. His scheme unraveled when he tried to apply for benefits under his fictitious identity and SSN, at which point SSA linked the two identities and referred the case to OI.

He was sentenced to 3 years' probation, with the first 6 months in home detention with electronic monitoring, and ordered to pay \$110,000 restitution to SSA.

Other SSN Misuse Cases

Government Employee Steals SSN to Fraudulently Obtain Credit Cards

OI and the U.S. Postal Service conducted an investigation of an individual who obtained names, dates of birth, and SSNs from personnel folders while working for the Federal Government. He used this information to apply for 53 credit cards, of which he received 3 cards.

The man was charged with using one or more unauthorized access devices and one count of fraudulent use of an SSN. He was sentenced to 16 months' imprisonment and 3 years' supervised release and ordered to pay \$5,893.74 restitution and a special assessment of \$200.

Man Impersonated an OI Special Agent to Obtain Personal Information and File for SSNs

An individual, impersonating an OI Special Agent, obtained personal information about his victims and filed fraudulent SSN applications. These SSNs were used to commit financial crimes against various financial institutions.

He was sentenced to 71 months in Federal prison, 5 years' supervised released, and ordered to pay \$114,033 restitution to various financial institutions for his part in the conspiracy.

Woman Misused SSNs to Illegally Obtain Loans

In a joint investigation, OI discovered that a woman, while using an SSN that she invented, obtained a Department of Housing and Urban Development mortgage loan in excess of \$76,000 for a new house and an automobile loan in excess of \$11,000. She then attempted to obtain a \$12,500 home improvement loan using the same SSN. The lending institution became suspicious of the home improvement loan when they realized that it was for a brand new house. She never made a payment on the house, and the automobile was repossessed.

She was sentenced to 6 months' home confinement, 3 years' supervised release, and ordered to perform 150 hours of community service after pleading guilty to misuse of an SSN to obtain loans.

Man Incarcerated for Conspiring with an SSA Employee

OI conducted this investigation with a local police department, the U.S. Secret Service, and the FBI. This investigation was initiated

after it was discovered that an SSA employee had, without authorization, obtained numerous SSA disability documents and accessed SSN information. The employee sold the documents and information to a man who used the information to fraudulently purchase about \$425,000 in paging services, computer components, cellular telephones, an automobile, rental cars, and other goods and services.

The man was charged with the unlawful use of unauthorized access devices and was sentenced to 27 months' incarceration, 3 years' supervised release, and ordered to pay \$264,781 restitution. The SSA employee was charged with the unlawful disclosure of SSNs, sentenced to 3 years' supervised probation, and resigned from her position at SSA.

Other Cases and Projects of Interest

The following selections represent other OI efforts nationwide.

Woman Sentenced for Defrauding SSA and Various Financial Institutions

OI worked with the FBI to investigate a woman who was receiving SSI payments for herself and acting as a Rep Payee for three children and one grandchild. The investigation established that the woman defrauded SSA out of \$55,192, the Food Stamp program out of \$3,502, and various financial institutions out of \$52,919. She was charged with the following offenses in a 28-count felony indictment:

- purchasing five automobiles using false SSNs;

- misusing \$5,890 in disability benefits paid to her on behalf of a grandchild who she had stated was in her care, but who, in fact, had never been in her care;
- wrongfully receiving \$21,195 by failing to report the receipt of State child support for two of her children for whom she was also receiving full SSI payments;
- wrongfully receiving \$25,425 by failing to report her own income and resources, which precluded SSI entitlement for herself;
- wrongfully receiving \$2,681 by periodically reporting that she did not receive SSI checks for her children and herself, while she actually cashed both the original and replacement checks; and
- submitting fraudulent Food Stamp applications.

On January 25, 1999, the woman was sentenced to 15 months' incarceration, ordered to pay \$500 in special assessments, and ordered to pay \$111,613 in restitution to SSA, the Food Stamp program, and several financial institutions.

Private Investigator Impersonates an SSA Manager and Law Enforcement Official to Obtain SSA Information

Based on a referral from an SSA employee, OI identified an individual who impersonated an SSA FO Manager and a law enforcement official. The individual would contact an SSA employee and request various personal information from SSA's records. Believing the request was legitimate, the SSA employee would fax the information to the individual. OI's investigation determined that the individual was really a private investigator

who used the SSA information for commercial advantage and financial gain.

The individual was sentenced in Federal court to 2 months' home detention and 3 years' probation. He was fined \$5,000 and prohibited from acting as a licensed private investigator during the 3 years of probation. Documents found during a forensic examination of the individual's computer, indicated that he had used a similar scheme to obtain information from numerous Government and private organizations.

Rep Payee Fraudulently Converted Benefits to Her Own Use

OI conducted a joint investigation with the FBI on an individual who was a fee-for-service Rep Payee for 320 individuals. The investigation determined that the individual fraudulently converted to her own use SSA and SSI funds totaling approximately \$274,000. The individual was sentenced in Federal court to 18 months' incarceration, 3 years' probation, and ordered to pay full

restitution to SSA on behalf of the 320 individuals.

Rep Payee Misuses Funds and Bribes Witness to Lie

A former guardian and Rep Payee to numerous elderly and incapacitated VA and SSA recipients misappropriated their benefits for her own personal gain. When the woman learned of the Federal investigation, she tried to obstruct the investigation by attempting to bribe a witness and instructing him to lie to the OI Special Agents.

The woman was sentenced to 37 months' incarceration and 3 years' supervised release and was also ordered to make restitution totaling \$200,000 to the five VA and SSA recipients that she had defrauded. Prior to sentencing, the woman presented the probation office with a check for \$200,000 as payment for the anticipated restitution order.

Office of Audit

OA is organized into issue area teams that conduct comprehensive financial and performance audits of SSA's programs and operations. Our audits result in recommendations to ensure that SSA's program objectives are achieved effectively and efficiently. We also conduct management and program evaluations that identify and recommend ways of preventing program fraud and maximizing efficiency.

During FY 1999, we issued 59 reports with recommendations of \$84 million in questioned costs and approximately \$270 million in Federal funds that could be put to better use. The results of our significant work are discussed in the following sections.

Enumeration

Enumeration is the process by which SSA assigns original SSNs, issues replacement cards to people with existing SSNs, and verifies SSNs for employers and other Federal agencies.

The importance placed on SSNs in today's society provides a tempting motive for individuals to fraudulently acquire an SSN and use it for illegal purposes. These crimes affect the victims' attempts to receive legitimate benefits and harm their credit ratings. In addition, the financial industry passes on the cost associated with identity theft to all of their consumers.

During FY 1999 we issued three significant reports in this area.

Using Social Security Numbers to Commit Fraud

We performed this review to inform SSA officials of trends involving the fraudulent uses of SSNs. The report described selected SSN fraud cases, which OI referred to the Department of Justice for prosecution. Our report included observations regarding the use of SSNs to commit identity fraud that SSA can use as a catalyst for changes essential to ensuring the integrity of SSA's enumeration responsibility.

OA recommended that SSA:

- Make it clear through its policies and performance measures that fraud prevention measures should never be circumvented to satisfy customer service demands.
- Incorporate preventive controls in its Modernized Enumeration System.
- Require verification from the issuing State when an out-of-State birth certificate is presented as evidence for an SSN application.
- Continue efforts to have the INS and State Department collect and verify enumeration information for aliens.

In response to our report, SSA plans to issue a reminder to FO personnel regarding the importance of adhering to fraud prevention procedures, irrespective of customer service demands. SSA stated that it would work with OIG to target potential fraudulent activity when multiple SSNs are sent to the same address and hoped to obtain on-line access to

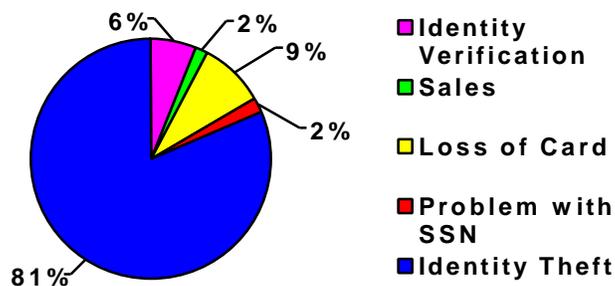
State vital records data in the future. Additionally, SSA is currently conducting two pilots in which the Agency will test the fraud prevention benefits of more stringent birth certificate verification procedures. SSA also plans to continue its efforts with INS and the State Department for those agencies to collect enumeration information for noncitizens, continue to be vigilant in guarding against fraudulent documents, and continue to work with INS to shorten the verification process.

In the Agency's final comments to this report, Commissioner Apfel reiterated his concern regarding the serious issue of SSN misuse and promised that the Agency would be proactive in fighting this problem. Nevertheless, the Agency continued to disagree with several of our recommendations because it believed that the suggested measures would negatively impact customer service.

Analysis of Social Security Number Misuse Allegations made to the Social Security Administration Fraud Hotline

In a related report, we identified the different types of SSN misuse allegations and estimated the number of occurrences for each category during the period of our review. Our analysis showed that the sampled Hotline allegations or contacts could be placed in five categories: identity verification; sales solicitation; loss of SSN card; problems with SSN; and identity theft. Our report noted about 81 percent of the SSN misuse allegations the Hotline receives relate directly to identity theft. As a result, OI staff will conduct more reviews in this area to determine the validity of those allegations.

Sample Hotline Contacts Received



Review of Controls over Nonwork Social Security Numbers

Nonwork SSNs are issued to legal aliens who do not have authorization from INS to work in the United States. The Social Security Act included no provision for the issuance of nonwork SSNs. Over time, use of the SSN spread to other Federal and private entities and it became apparent that many aliens who were lawfully present in the United States without work authorization needed SSNs for other purposes.

SSA's policy of crediting nonwork SSNs with earnings for periods of unauthorized work has been, and will continue to be, very costly to SSA's Trust Fund unless it is changed. As of May 1998, unauthorized earnings associated with nonwork SSNs have already cost SSA's Trust Fund an estimated \$287 million. If SSA continues to pay benefits to these individuals and/or their dependents, SSA may spend an additional \$63 million per year. Over the lifetime of the nonwork number holders and their dependents, we estimate that unauthorized earnings associated with these accounts will cost the Trust Fund approximately \$1.7 billion.

We reviewed the nonwork SSN applications processed at three FOs and determined the controls over this process are insufficient.

We found that FOs erroneously issued Social Security cards to individuals not authorized to work, and issued nonwork SSNs to individuals who did not have a valid reason for them.

We recommended SSA:

- Seek legislation to prohibit the crediting of nonwork earnings for purposes of benefit entitlement.
- Conduct periodic quality reviews of processed SSN applications and provide timely feedback to FO personnel.
- Review the 452 unrestricted SSNs issued erroneously to identify other coding errors that resulted in the incorrect issuance of Social Security cards.
- Perform its own actuarial calculations of the effects of the nonwork quarters of coverage on benefit payments, if deemed necessary, to support changes in legislation.

SSA did not agree to implement any of our recommendations. Instead, SSA believes the issues identified in our report would be more appropriately addressed through alternate initiatives and will conduct a study in this area. Nevertheless, we continue to believe that our recommendations are valid and, therefore, we have encouraged SSA to reconsider its initial response.

Earnings

Social Security benefits are based on an individual's earnings as reported to SSA. SSA establishes and maintains a record of an individual's earnings for use in determining an individual's entitlement to benefits and for calculating benefit payment amounts.

Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items

Title II of the Social Security Act requires SSA to maintain records of wages employers pay to individuals. SSA matches employees' SSNs and names to SSA's master file to post their earnings to the Master Earnings File. Wage items that fail to match SSA name and SSN records are placed in the Earnings Suspense File.

We conducted this audit to identify patterns of errors and irregularities in wage reporting for those 100 employers who had the most suspended wage items from 1993 through 1996. We also reviewed SSA's controls and edits to detect patterns of errors and irregularities in wage reporting practices. Our review showed that 84 of the 100 employers experienced increases in their suspense items over the 4-year period, increasing at a 40-percent growth rate versus a 29-percent growth rate for the entire Suspense File. This included 27 employers with increases of 100 percent or more. The number of suspended W-2s for a restaurant chain grew from 283 in 1993 to 3,617 in 1996, a 1,178-percent increase. The 1996 Suspense File for the 100 employers contained various patterns of reporting errors, including: (1) duplicate mailing addresses; (2) unassigned SSNs; (3) SSNs used two or more times; and (4) reporting three or more consecutively numbered SSNs.

We recommended that SSA: (1) develop and implement a corrective action plan for the 100 employers and continue efforts to contact those employers who are responsible for large numbers of suspended wage items and (2) improve its internal control procedures by establishing preventive controls to detect wage report errors and irregularities.

SSA officials did not have any major comments or concerns regarding the audit results or the presentation of the data in the report. SSA noted that over the last 3 years it has been contacting approximately 7,000 employers with 100 or more suspense items annually. However, problems have persisted; currently IRS does not penalize employers for W-2 reporting errors.

Systems

One of the challenges facing SSA is giving the public the service it expects during a period of increasing demands without a corresponding increase in staff. Demographic changes in the Nation's population over the next several years will cause substantial increases in SSA's operational workloads. To meet this challenge, SSA must increase reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs and client satisfaction.

To assist SSA in ensuring the integrity of the controls over application software development and maintenance at SSA, we conducted the following reviews.

Identifying and Validating Non-Mission Critical Software for Year 2000 Compliance

We conducted an audit to determine whether SSA's non-mission critical software has been identified and validated for Year 2000 (Y2K) compliance. Our review identified two areas of concern. First, SSA's Y2K inventory of non-mission critical software was incomplete. Without a complete Y2K inventory maintained on SSA's servers, SSA cannot ensure that all of its commercial software is Y2K compliant. Second, our tests identified 54 data files (32 percent) provided by commercial applications with 2-digit dates.

Files having 2-digit dates could potentially disrupt SSA's non-mission critical operations with system failures or corrupt information.

SSA has either agreed to take action or has taken action to address our concerns. SSA is using two software packages to assist in identifying files with two-digit dates. In addition, SSA has instructed components to review reports generated from these utilities to investigate and take action on potential Y2K problems.

Follow-up Audit of Physical Security at the Social Security Administration's National Computer Center (Confidential Report)

To ensure SSA has adequate security of its information resources and facilities, we conducted a follow-up audit of SSA's progress in implementing recommendations from a prior report, *Review of Physical Security at the Social Security Administration's National Computer Center* (A-13-96-11046), issued in June 1997. During our follow-up, we identified physical security concerns that warranted management's immediate attention. We conducted briefings with senior management and prepared a management advisory report detailing the specific deficiencies that must be addressed. SSA agreed with all but 1 of our 11 recommendations. **Because of the sensitive nature of this audit, we cannot describe the findings of this report. The report is not available for distribution.**

Contingency Planning for the Social Security Administration (Confidential Report)

We initiated this audit to follow up on prior audit findings related to SSA's back-up and recovery procedures. We expanded the scope to address the overall effectiveness of SSA's contingency planning for unexpected events,

which could interrupt service delivery throughout SSA. Inadequate preparation for contingencies could significantly impact SSA's ability to provide timely services to its customers.

Our findings revealed that SSA's contingency planning program did not comply with Federal criteria established by the Computer Security Act of 1987, the Office of Management and Budget (OMB) Circular A-130, *Security of Federal Automated Information Resources*, and the National Institute of Standards and Technology. The fundamental cause of deficiencies can be attributed to an infrastructure that lacks clearly defined roles and responsibilities for contingency planning. We briefed the Agency on our findings and issued a report with 20 recommendations. **Because of the sensitive nature of this audit, we cannot describe the findings of this report. The report is not available for distribution.**

In general, SSA agreed with our recommendations and commented that they had convened an agencywide task force to address contingency planning issues.

Testing of the Contingency Plan for the Social Security Administration's National Computer Center (Confidential Report)

We evaluated the effectiveness of SSA's testing of the contingency plan for the National Computer Center (NCC). The review focused on whether or not SSA adequately tested its ability to reestablish its NCC operations at a remote facility after a large-scale disruption such as a natural disaster or massive sabotage.

We identified several instances where SSA did not adequately test key elements of its contingency plan for NCC operations.

Because of these deficiencies, the Agency cannot be sure of its ability to reestablish NCC operations at a remote facility.

As a result of our review, we made nine recommendations to the Agency. SSA took exception to one recommendation, yet we believe that this recommendation needs to be implemented. **Because of the sensitive nature of this audit, we cannot describe the findings of this report. The report is not available for distribution.**

Supplemental Security Income

The General Accounting Office declared SSI a high-risk program in February 1997. To assist in ensuring the integrity of the SSI program, Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (commonly known as the Welfare Reform Act), which requires that SSA conduct CDRs in certain instances. The Welfare Reform Act also authorized appropriations for CDRs and redeterminations for FYs 1997 and 1998. SSA reports annually on its progress in conducting CDRs.

Welfare Reform Childhood Redetermination Accuracy

The objective of this review was to determine how SSA will investigate and correct accuracy problems for cessations and continuances of children redetermined by State DDS offices.

On December 17, 1997, SSA released a report, *Review of SSA's Implementation of New SSI Childhood Disability Legislation*, that outlined its findings on the implementation of new childhood disability provisions in the Welfare Reform Act. Under

this Act, individuals under age 18 are considered disabled if they have a medically determinable physical or mental impairment that results in marked and severe functional limitations and meets the statutory duration requirement.

SSA's report stated that, overall, SSA and the DDSs had done well in implementing the provisions of the Welfare Reform Act. However, because SSA found some inconsistencies in the application of the rules, there were problems with the accuracy of the assessment of childhood cases at the DDS offices. SSA further stated that SSA and DDS staff would be given updated training, many of the cases that were ceased under the new disability criteria would be reworked, continuances would be reviewed on a priority basis, and certain disability criteria would be revised. After SSA issued its report, SSA established a steering committee to implement these corrective actions.

Our review found that SSA had taken action to provide training, rework ceased cases, and revise criteria, but SSA had not given priority to potentially erroneous continuances. We estimated that at least \$9.5 million in Federal and State SSI funds were at risk over a 1-year period if SSA failed to identify and correct inaccurately continued SSI childhood cases. By correcting problems with cessation and continuance cases, SSA can offset most of the Federal and State costs incurred by the process while ensuring that all children who should continue receiving SSI payments do so and those whose payments should be ceased are stopped.

We recommended that SSA identify questionable continuation cases and update their profiles to expedite the next scheduled CDR. SSA agreed with the overall conclusion that CDRs on childhood continuances made by States with low

continuance accuracy is important. SSA also noted that it planned to release these cases for CDRs early in FY 1999. However, SSA took exception to our statistical calculations. As a result, we provided our most conservative estimates of funds at risk by providing an estimate range and adjusting these estimates to reflect the expected appeal and overturn rates.

Payment Accuracy Task Force Report – SSI Unearned Income

Prompted, in part, by the General Accounting Office's 1997 designation of SSI as a high-risk program, SSA issued a self-challenge to increase the SSI payment accuracy rate to 96 percent by FY 2002. Through a cooperative effort between SSA and OIG, the Agency established a Payment Accuracy Task Force.

Unearned income includes annuities, pensions, and other periodic payments; alimony and support payments; dividends, interests and royalties; rents; prizes and awards.

In FY 1999, the Task Force reviewed and developed the causes of SSI unearned income errors and developed agencywide recommendations to improve payment accuracy. The Task Force recommended several changes to help decrease SSI unearned income payment errors.

The Task Force recommended that SSA:

- Reinforce unearned income reporting responsibilities.
- Retitle the Program Operations Manual System section on prizes, and modify Modernized Supplemental Security Income Claims System screens to add

information about gambling and lottery winnings.

- Adapt the Unearned Income portion of the Interactive Video Training for on-line training.
- Pursue direct on-line access to State Child Support Enforcement.

Old-Age, Survivors and Disability Insurance

OASDI programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings because of retirement, disability, and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed individuals. Social Security is more than retirement, it also provides protection for surviving spouses and children. OA conducted several reviews about the Social Security Program, which are described in this section.

School Attendance by Child Beneficiaries Over Age 18

The Social Security Act provides benefits to children of insured workers upon the retirement, death or disability of the worker. Generally, child beneficiaries may continue to receive benefits until they marry or reach age 18. Amendments to the Act provide for extended benefits beyond age 18 to enable child beneficiaries who are full-time students to complete their education.

We conducted this audit to determine the propriety of Social Security benefits to student beneficiaries reaching age 18 and the adequacy of controls and procedures to ensure they attended school on a full-time basis.

Our review disclosed that an estimated 30,991 individuals received payments to which they were not entitled. Also, we were unable to determine the propriety of payments to an additional 35,950 individuals. We estimated that the incorrect and unsupported payments amounted to \$73.9 and \$140.4 million, respectively.

The incorrect payments occurred because SSA had not established an effective monitoring system to detect when students were not attending school on a full-time basis. In addition, SSA had not established automated controls to prevent overpayments resulting from clerical errors in determining the maximum age of entitlement for students.

The unsupported payments occurred because SSA's procedures require that documentation related to student beneficiaries be destroyed 120 days after processing. Also, SSA had not retained sufficient information to otherwise support its basis for awarding student benefits.

We recommended and SSA agreed to:

- Request assistance from school officials in identifying and reporting changes in student attendance that may affect their benefit status.
- Evaluate the feasibility of shifting the responsibility for monitoring student beneficiaries from the program service centers to the FOs.
- Obtain additional information from schools about student attendance before awarding benefit payments.
- Provide training and guidance to employees who monitor student beneficiaries to ensure that they fully understand the requirements for

determining the maximum age of entitlement.

- Perform a follow-up review to identify all students in current pay status beyond age 19 years, and 2 months prior to the end of FY 2000.
- Retain school information to provide the supporting documentation for awarding student benefits and the necessary information for monitoring student beneficiaries.

Waivers Granted for Title II Overpayments Exceeding \$500

SSA's procedures allow FO employees to waive the recovery of overpayments if a beneficiary is "without fault" and the recovery would "defeat the purpose of the Social Security Act" or is "against equity and good conscience." We conducted this audit to determine whether SSA granted waivers of overpayments exceeding \$500 to beneficiaries in accordance with the Social Security Act.

Our review disclosed that an estimated 2,260 waivers of overpayments were incorrectly granted and an additional 13,058 waivers were inadequately supported. We estimated that the incorrect and unsupported waiver decisions amounted to \$4.3 million and \$37.4 million, respectively.

Because of the complexity and subjectivity of the waiver process, we determined that the incorrect waiver decisions resulted from: (1) the misapplications of waiver criteria by FO employees and (2) clerical errors. We considered other waiver decisions to be unsupported because: SSA was unable to provide us with the case folders; supporting documentation for the waiver decisions was missing; or FO employees did not adequately develop the cases.

We recommended that SSA:

- Provide FOs with additional guidance and training to clarify when recovery of overpayments from beneficiaries would "defeat the purpose of the Social Security Act" or be "against equity and good conscience."
- Strengthen procedures to preclude waivers to beneficiaries who have the ability to repay their debts.
- Revise procedures to clarify what constitutes "lack of good faith" to ensure that waivers are denied to beneficiaries who are at fault for causing their overpayments.
- Improve controls over the retention of case folders, including supporting documentation for waiver decisions.
- Instruct FOs to document the verification of all information, either financial or testimonial.

SSA agreed with the intent of the recommendations but did not believe that all of the suggested changes would achieve the desired results. Generally, SSA attributed the findings to insufficient training rather than inadequate procedures and is working to prepare and schedule an updated training program.

Performance Monitoring

We developed a 3-year work plan (see Appendix A) to review SSA's implementation of the Government Performance and Results Act (GPRA). In implementing this plan, every OA issue team conducts GPRA-related reviews, with one issue team dedicated to coordinating all GPRA reviews. All of the teams determine the reliability of SSA's

performance data and ensure that SSA's implementation of GPRA is in accordance with GPRA requirements. Additionally in FY 1999, we acquired contracted services to assist us in completing our 3-year plan.

Performance Measure Review: Evaluation of the Thirteenth Annual Social Security Customer Satisfaction Survey Data

Since 1984, SSA's Annual Customer Satisfaction Survey has served as SSA's gauge of how well it serves the public. The enactment of GPRA, in August 1993, highlighted the importance of the data collected by the Customer Satisfaction Survey. Three of SSA's GPRA performance goals relate directly to data collected through the Customer Satisfaction Survey—overall customer satisfaction, staff courtesy, and clarity of SSA mail.

We evaluated the survey data to determine whether SSA's performance measurement data for its overall customer satisfaction, staff courtesy, and clarity of mail were accurate and appropriately measuring performance in these areas.

The Customer Satisfaction Survey accurately measured performance in overall customer satisfaction, staff courtesy, and mail clarity for the population that it reached. However, not all types of SSA customers were sampled. Also, the proportion of disabled customers in the FY 1997 sample was less than in previous years, which may have affected the overall satisfaction rating which had increased.

We recommended SSA identify and address the populations not currently reached by the Customer Satisfaction Survey and track the effects of the proportion of disabled customers on the overall satisfaction rating.

In its response, SSA agreed with our recommendations. It plans to expand the universe of customers surveyed with the Fifteenth Annual Survey and expects that the changes already made in the sampling selection methodology will provide a sample more representative of SSA's universe of customers.

Performance Measure Review: Periodic Full Medical Continuing Disability Review Data Collection

A periodic CDR is routinely conducted to determine whether a disabled individual is still medically eligible to receive benefits under the Disability Insurance (DI) or SSI programs. This evaluation assessed SSA's process to accumulate and report periodic full medical CDR workload data to Congress.

Overall, SSA's process for accumulating aggregate full medical CDR workload data was adequate, but the National Disability Determination Services System (NDDSS) did not have the capability to fully distinguish periodic CDRs from other workloads for congressional reporting. As a result, SSA could not ensure that all full medical CDRs reported in FY 1997 were correctly classified as periodic CDRs. These NDDSS classification problems increase the risk that SSA is over-reporting the number of periodic CDRs performed to Congress.

Although the CDR classification codes are key to SSA's attempt to categorize CDR workloads, SSA has not provided consistent guidance on these codes to the DDS offices. Also, the multiple software programs and computer systems DDS offices use make coding problems difficult to monitor and correct. We found that six of the seven DDS offices contacted lacked a complete, up-to-date listing of codes in their NDDSS interface software programs.

To assist the DDS offices with their CDR workload and improve the accuracy of CDR data reported to Congress, we recommended that SSA: (1) provide guidance to SSA and DDS offices on transmittal sheets and proper coding; (2) provide SSA components and DDS offices with a single source of authoritative and updated CDR classification codes; (3) coordinate with DDS offices to update the coding in their software programs; and (4) update the edits in NDDSS.

SSA agreed with all of our recommendations except for updating the edits in NDDSS. SSA took alternative action that eliminated the need to update these edits.

General Management

General Management reviews encompass a wide range of SSA's administrative functions, extensive public information activities, data processing systems, data exchanges with other agencies, and research and policy making. Parts of SSA's core business processes involve the dissemination of information about its programs. The following highlights one of our reviews in this area.

The Social Security Administration's Management of Its Freedom of Information Act Activities

The Freedom of Information Act (FOIA) requires Agencies and Departments to establish procedures advising the public of what records they keep and their availability for examination upon request, provides appeal rights if disclosure is denied, and shifts the burden to the Government if access to records is denied. This audit evaluated SSA's management of its FOIA activities to determine compliance with FOIA and related criteria and the level of service provided to the public.

We noted that SSA has taken numerous initiatives intended to improve its management of FOIA activities, such as implementing "multi-track" processing of requests and creating and maintaining FOIA information on-line so that the public has access to FOIA information from SSA's Web page. However, further improvements are necessary to improve service to the public.

Our review indicated that the ways the public can make FOIA requests are limited; requests have generally not been answered within statutory time limits; annual reports to Congress lack data that fully reflect SSA's management of its FOIA activities; advice to the public could be improved; and some FOIA reading room materials are not readily available at SSA's FOs.

We recommended that SSA:

- Expand the modes by which the public may make a FOIA request and make commensurate changes in its regulations and other relevant publications.
- Make additional efforts to comply with the legal requirement to provide a determination reply to a FOIA request within 20 business days.
- Provide the public with its best estimate of the time SSA takes to provide a determination in response to a FOIA request.
- Provide additional and more accurate data in the annual report on its effort to fully administer FOIA.
- Provide a workstation with on-line computer access to SSA's FOIA Web page at every FO so the public can access, inspect, and print FOIA reading room records.

SSA did not agree with expanding the modes by which the public may make a FOIA request, at least until such time as it can provide an appropriate level of customer service. SSA also did not agree that it needed to provide additional and more accurate data in the annual report to the Attorney General on its effort to fully administer FOIA. Lastly, SSA asserted that it met the FOIA reporting requirements.

However, SSA did agree with our recommendations to make further efforts to provide timely replies and provide the public with its best estimate of the time it takes to provide a reply to a FOIA request.

SSA won't decide on the final recommendation to provide a workstation with on-line computer access to SSA's FOIA Web page until it completes an assessment of relevant issues.

Financial Audits

The Chief Financial Officers Act of 1990 (P.L. 101-576), as amended, requires that the Inspector General or an independent external auditor, as determined by the Inspector General, audit SSA's financial statements in accordance with the General Accounting Office's *Government Auditing Standards*.

In addition to our audit of the financial statement, we conduct financial-related audits of SSA programs, segments, line-items and accounts, including related internal control. We also conduct administrative audits of the State agencies and contractors receiving Federal funds for making initial and continuing disability determinations for eligibility under the DI and SSI programs and other contracts as referred by SSA's Office of Acquisitions and Grants.

Fiscal Year 1998 SSA Financial Statement Audit

Under a contract monitored by OIG, PricewaterhouseCoopers LLP, (PwC) an independent certified public accounting firm, audited SSA's FY 1998 financial statements. PwC issued an unqualified opinion stating that the principal financial statements were fairly stated in all material respects, and management fairly stated that SSA's systems of accounting and internal control were in compliance with internal control objectives in OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*. Nonetheless, the audit identified three reportable conditions in SSA's internal control.

- SSA can further strengthen controls to protect its information.
- SSA needs to accelerate efforts to improve and fully test its plan for maintaining continuity of operations.
- SSA can improve controls over separation of duties.

In its Report on Compliance with Laws and Regulations, PwC disclosed instances of noncompliance with laws and regulations that were required to be reported under *Government Auditing Standards* and OMB Bulletin 98-08.

- SSA was not in full compliance with section 221 (i) of the Social Security Act that requires periodic CDRs for title II beneficiaries.
- SSA had weaknesses in information protection, business continuity planning, and separation of duties which PwC considered significant departures from certain requirements of OMB Circulars A-127, *Financial Management*

Systems and A-130, Management of Federal Information Resources, and were therefore instances of substantial noncompliance with Federal financial management systems requirements under the Federal Financial Management Improvement Act.

State DDS and Administrative Audits

SSA implements the DI and SSI programs under title II and title XVI of the Social Security Act, respectively. The DI program was established in 1956 to provide benefits to wage earners and their families in the event that the wage earner becomes disabled. The SSI program was established in 1972 to provide income to financially needy individuals who are aged, blind or disabled. Disability determinations under these programs are performed by State DDS offices in accordance with Federal statutes, regulations, and other written guidelines. The DDS offices assess the claimants' disabilities and ensure that adequate evidence is available to support its determinations.

Each DDS is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from claimants' physicians or other treating sources. SSA reimburses the State agency for all allowable expenditures up to its approved funding authorization.

We conduct audits at these State agencies to determine whether costs claimed are allowable and properly allocated, and whether total SSA funds drawn down agree with total expenditures for disability determinations. We also evaluate internal control over the accounting and reporting of the administrative costs claimed.

Administrative Costs at the California DDS

We conducted this audit to determine the propriety of the administrative costs claimed by the California State Department of Social Services (DSS) for its DDSs for the 2-year period ended September 30, 1996. The DSS incorrectly allocated indirect costs, had ineffective estimation methods, and had inadequate controls for reimbursing medical costs.

The DSS overreported its total obligations to SSA by \$9.1 million for the period reviewed. Of this amount, the DSS overstated its disbursements by about \$4 million for the period July 1994 through April 1998 and unliquidated obligations by about \$5.1 million for FYs 1995 and 1996. To date, the DSS has initiated a number of corrective actions to address the deficiencies noted during our audit.

Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination

The objectives of this audit were to: (1) determine whether costs claimed by the Ohio State Bureau of Disability Determination (OH-BDD) on its *State Agency Report of Obligations for SSA Disability Programs* for the period October 1, 1994, through September 30, 1997, were allowable and properly allocated; (2) determine whether the aggregate of the SSA funds drawn down agreed with total expenditures for FYs 1995 through 1997; and (3) evaluate internal control over the accounting and reporting of the administrative costs claimed, as well as the draw down of SSA funds.

The results of our tests indicated that, with respect to the items tested, the OH-BDD financial reporting and related draw downs complied in all material respects with Federal

cost principles and regulations. We did, however, note internal control deficiencies over certain areas.

We recommended that SSA instruct the Rehabilitation Services Commission (RSC) to:

- Require OH-BDD to amend its forms.
- Improve internal control over charges of indirect cost.
- Formalize the system for conveying accounting information.
- Refund to SSA, with applicable interest, excess funds drawn by RSC.
- Improve the recording and monitoring of computer equipment and inventory.
- Improve internal control in the mailroom.

OH-BDD and SSA stated they believe the State does not have to abide by Federal restrictions on the appropriation given to OH-BDD. Instead they believe that State rules apply. SSA agreed to clarify its instructions and seek an Office of the General Counsel opinion as to whether OH-BDD must adhere to Federal appropriations restrictions. Also, we received correspondence from the State of Ohio that it will reimburse SSA \$598,414.

Single Audits

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Native American tribal governments that administer Federal financial assistance programs.

On July 5, 1996, the President signed The Single Audit Act Amendments of 1996. The

Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of The 1984 Single Audit Act including raising the dollar threshold for requiring a single audit to \$300,000 in Federal awards expended.

We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report single audit findings identified to SSA's Management Analysis and Audit Program Support Staff for audit resolution.

During this reporting period, we completed 1 roll-up report and issued 15 single audit reports.

State Fiscal Year 1996 Single Audit Findings

This report compiled and categorized DDS findings reporting 25 States in their State FY 1996 single audits. Of the State FY 1996 State Single Audit reports we reviewed, 25 contained DDS-related findings. Our analysis disclosed similar DDS findings in the financial reporting, cash management, and computer control areas. The findings relate to DDS noncompliance with Federal requirements because of internal control weaknesses.

We recommended that SSA instruct DDSs to:

- Implement effective procedures for preparing, reviewing and approving the information on the Report of Obligations (SSA-4513) and Time Report of Personal Services (SSA-4514).
- Establish procedures for ensuring that the SSA-4513 and SSA-4514 are submitted to SSA by the 25th day after the close of each quarter.

- Adhere to the Cash Management Improvement Act agreement.
- Process non-SSA work in accordance with the Memorandum of Understanding.
- Implement controls to prevent unauthorized computer access.

SSA agreed with our recommendations and will take the appropriate steps to implement them.

Single Audits Issued FY 1999

State/Commonwealth Audited	FY Ended	Findings	Recommendations	Questioned Costs
Alabama	June 30, 1997	4	4	N/A
Arizona	June 30, 1996	2	2	N/A
California	June 30, 1997	1	1	\$89,867
Colorado	June 30, 1997	2	7	N/A
District of Columbia	June 30, 1996	2	4	N/A
Georgia	June 30, 1997	1	1	N/A
Iowa	June 30, 1997	2	2	N/A
Iowa	June 30, 1998	1	1	N/A
Kentucky	June 30, 1996	2	3	N/A
Kentucky	June 30, 1997	4	4	N/A
Missouri	June 30, 1997	1	1	N/A
Oklahoma	June 30, 1997	2	2	\$4,389
Pennsylvania	June 30, 1997	3	11	N/A
Tennessee	June 30, 1997	1	1	N/A
West Virginia	June 30, 1997	1	1	N/A

Resolving Office of the Inspector General Recommendations

Reports with Questioned Costs for the Reporting Period October 1, 1998, through March 31, 1999

The following charts summarize SSA's responses to OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, etc. Unsupported costs are those costs that are questioned because they are not justified by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Rescission Act of 1980 (Public Law 96-304) and the Inspector General Act of 1978, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 ¹	\$390,187	\$0
B. Which were issued during the reporting period.	3 ²	\$4,080,235	\$867,490
Subtotal (A+B)	5	\$4,470,422	\$867,490
Less:			
C. For which a management decision was made during the reporting period:			
i. dollar value of disallowed costs.	2 ³	\$9,289	\$0
ii. dollar value of costs not disallowed.	2	\$9,289	\$0
iii. dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	3 ⁴	\$4,461,133	\$867,490

¹ *Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion (A-07-98-52011)*, July 21, 1998; *Audit of the Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (A-02-95-00002)*, June 20, 1997.

² See Reports with Questioned Dollars on page 168 of this Report.

³ *Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion (A-07-98-52011)*, July 21, 1998; *Accounting for Social Security Benefits by Contra Costa County, California (A-09-98-52009)*, November 2, 1998.

⁴ *Audit of the Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (A-02-95-00002)*, June 20, 1997; *Audit of Administrative Costs at the California Disability Determination Services (A-09-97-51006)*, December 4, 1998; *Single Audit of the State of California for the Fiscal Year Ended June 30, 1997 (A-77-99-00003)*, December 29, 1998.

**Reports with Questioned Costs for the Reporting Period
April 1, 1999, through September 30, 1999**

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	3 ¹	\$4,461,133	\$867,490
B. Which were issued during the reporting period.	7 ²	\$78,951,099	\$90,220
Subtotal (A+B)	10	\$83,412,232	\$957,710
Less:			
C. For which a management decision was made during the reporting period:			
i. dollar value of disallowed costs.	4 ³	\$4,074,413	\$871,879
ii. dollar value of costs not disallowed.	3 ⁴	\$2,769,016	\$871,879
	2 ⁵	\$1,305,397	\$0
D. For which no management decision had been made by the end of the reporting period.	6 ⁶	\$79,337,819	\$85,831

¹ *Audit of the Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (A-02-95-00002), June 20, 1997; Audit of Administrative Costs at the California Disability Determination Services (A-09-97-51006), December 4, 1998; Single Audit of the State of California for the Fiscal Year Ended June 30, 1997 (A-77-99-00003), December 29, 1998.*

² See Reports with Questioned Dollars on page 168 of this report.

³ *Audit of Administrative Costs at the California Disability Determination Services (A-09-97-51006), December 4, 1998—this report contained dollars that were disallowed and not disallowed ; Single Audit of the State of California for the Fiscal Year Ended June 30, 1997 (A-77-99-00003), December 29, 1998; Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 1997 (A-77-99-00008), April 19, 1999; Administrative Costs Claimed at the Missouri Disability Determination Services (A-07-97-51006), May 17, 1999.*

⁴ *Audit of Administrative Costs at the California Disability Determination Services (A-09-97-51006), December 4, 1998; Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 1997 (A-77-99-00008), April 19, 1999; Administrative Costs Claimed at the Missouri Disability Determination Services (A-07-97-51006), May 17, 1999.*

⁵ *Audit of Administrative Costs at the California Disability Determination Services (A-09-97-51006), December 4, 1998; Single Audit of the State of California for the Fiscal Year Ended June 30, 1997 (A-77-99-00003), December 29, 1998.*

⁶ *Audit of Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (A-02-95-00002), June 20, 1997; Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination (A-13-98-51007), September 24, 1999; Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671 (A-13-98-51041), September 24, 1999; Audit of the Administrative Costs Claimed by the Delaware Disability Determination Services (A-13-98-52015), September 24, 1999; Waivers Granted for Title II Overpayments Exceeding \$500 (A-09-97-61005), September 27, 1999; School Attendance by Child Beneficiaries Over Age 18 (A-09-97-61007), September 27, 1999.*

Reports with Recommendations that Funds Be Put to Better Use for the Reporting Period October 1, 1998, through March 31, 1999

The following charts summarize SSA's responses to our recommendations that funds be put to better use through cost avoidances, budget savings, etc.

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0
B. Which were issued during the reporting period.	1 ¹	\$134,469,523 ²
Subtotal (A + B)	1	\$134,469,523
C. For which a management decision was made during the reporting period.		
i. dollar value of recommendations that were agreed to by management.		
(a) based on proposed management action.	1 ³	\$125,000,000
(b) based on proposed legislative action.	0	\$0
Subtotal (a+b)	1	\$125,000,000
ii. dollar value of costs that were not agreed to by management.	0	\$0
Subtotal (i+ii)	1	\$125,000,000
D. For which no management decision had been made by the end of the reporting period.	1 ⁴	\$9,469,523

¹ See List of Reports Issued on page 164 of this report.

² This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996; and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997. SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

³ See Footnote Number 2.

⁴ *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999.

Reports with Recommendations that Funds Be Put to Better Use for the Reporting Period April 1, 1999, through September 30, 1999

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	1 ¹	\$9,469,523
B. Which were issued during the reporting period.	6 ²	\$385,246,919 ³
Subtotal (A + B)	7	\$394,716,442
C. For which a management decision was made during the reporting period.		
i. dollar value of recommendations that were agreed to by management.		
(a) based on proposed management action.	1 ⁴	\$125,000,000
(b) based on proposed legislative action.	0	\$0
Subtotal (a+b)	1	\$125,000,000
ii. dollar value of costs that were not agreed to by management.	0	\$0
Subtotal (i+ii)	1	\$125,000,000
D. For which no management decision had been made by the end of the reporting period.	7 ⁵	\$269,716,442

¹ *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999.

² See List of Reports Issued on page 164 of this report.

³ This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (A-01-94-02004), May 10, 1996 and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (A-01-96-61083), June 24, 1997. SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

⁴ See Footnote Number 3.

⁵ *Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy* (A-01-98-62012), March 3, 1999; *Administrative Costs Claimed at the Missouri Disability Determination Services* (A-07-97-51006), May 17, 1999; *Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits* (A-01-98-61006), September 20, 1999; *Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination* (A-13-98-51007), September 24, 1999; *Waivers Granted for Title II Overpayments Exceeding \$500* (A-09-97-61005), September 27, 1999; *School Attendance by Child Beneficiaries Over Age 18* (A-09-97-61007), September 27, 1999; *Review of Controls Over Nonwork Social Security Numbers* (A-08-97-41002), September 29, 1999.

Reports Issued from October 1, 1998, through September 30, 1999

Reports with Non-Monetary Findings

Date Issued	Title	Common Identification Number
November 20, 1998	Fiscal Year 1998 SSA Financial Statement Audit	A-13-98-51036
November 24, 1998	Costs Claimed by the State of Michigan on the Social Security Administration's Contract Number 600-95-22670	A-13-97-51026
November 30, 1998	Software Development and Maintenance Controls at the Social Security Administration	A-13-96-11000
December 4, 1998	Single Audit of the State of Colorado for the Fiscal Year Ended June 30, 1997	A-77-99-00001
December 14, 1998	Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 1997	A-77-99-00002
December 17, 1998	Non-Council 220 Union Representative and Manager Observations on the Use and Management of Official Time at the Social Security Administration	A-02-98-02002
January 5, 1999	Performance Measure Review: Evaluation of the Thirteenth Annual Social Security Customer Satisfaction Survey Data	A-02-97-01004
January 6, 1999	Physical Security at the Social Security Administration (Confidential Report)	A-13-97-01028
January 14, 1999	Access Controls over the Modernized Interim Disability Adjudication System in the State of California (Confidential Report)	A-09-98-51010
January 20, 1999	Single Audit of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1996	A-77-99-00004
March 2, 1999	Office of Hearings and Appeals' Response to Fraud at the New Orleans Hearing Office (Confidential Report)	A-06-97-71006
March 19, 1999	Single Audit of the District of Columbia for the Fiscal Year Ended June 30, 1996	A-77-99-00005
March 22, 1999	Single Audit of the State of Arizona for the Fiscal Year Ended June 30, 1996	A-77-99-00007
March 25, 1999	The Social Security Administration's Estimation of Excess Federal Insurance Contribution Act Taxes	A-13-97-51015

Date Issued	Title	Common Identification Number
March 25, 1999	Costs Claimed by the Commonwealth of Virginia on the Social Security Administration's Contract Number 600-92-0114	A-13-98-81004
April 8, 1999	Joint Assessment of the MOU Between SSA and the Department of Labor's Employment Standards Administration's Division of Coal Mine Workers' Compensation on Handling Part B Black Lung	A-15-99-22017
April 12, 1999	Single Audit of the State of Iowa for the Fiscal Year Ended June 30, 1997	A-77-99-00006
May 27, 1999	The Social Security Administration's Fiscal Year 1998 Financial Statement Audit Management Letters – Parts 1 and 2 (Part 1 Confidential)	A-15-99-52018
May 28, 1999	Management Advisory Report: Using Social Security Numbers to Commit Fraud	A-08-99-42002
June 10, 1999	Single Audit of the State of West Virginia for the Fiscal Year Ended June 30, 1997	A-77-99-00009
June 10, 1999	Single Audit of the State of Tennessee for the Fiscal Year Ended June 30, 1997	A-77-99-00010
June 18, 1999	The Social Security Administration's Effectiveness in Tracking Magnetic Media Wage Reports Returned to Employers	A-03-96-31003
June 18, 1999	National Office of Disability Budgeting: Excess Funding Authority and Obligations	A-13-98-72008
July 6, 1999	The President's Council on Integrity and Efficiency Review of Non-Tax Delinquent Debt	A-15-99-52002
July 29, 1999	Single Audit of the State of Georgia for the Fiscal Year Ended June 30, 1997	A-77-99-00012
August 2, 1999	Single Audit of the State of Alabama for the Fiscal Year Ended September 30, 1997	A-77-99-00011
August 17, 1999	Single Audit of the State of Missouri for the Fiscal Year Ended June 30, 1997	A-77-99-00013
August 24, 1999	Implementation of Best Practices in the Office of Hearings and Appeals Operations	A-06-97-21007
August 27, 1999	Management Advisory Report: Analysis of Social Security Number Misuse Allegations Made to the Social Security Administration's Fraud Hotline	A-15-99-92019
September 22, 1999	The Social Security Administration's Procedures to Identify Representative Payees Who are Deceased	A-01-98-61009

Date Issued	Title	Common Identification Number
September 22, 1999	Management Advisory Report: Follow-Up Audit of Physical Security at the Social Security Administration's National Computer Center (Confidential Report)	A-13-98-11040
September 23, 1999	Nonresponder Representative Payee Alerts for Supplemental Security Income Recipients	A-09-96-62004
September 24, 1999	Employee Access to Title XVI Computer Applications and Data	A-13-98-12009
September 27, 1999	Management Controls in Place for Earnings Modernization 2.8 Transactions Processed at Field Offices and Teleservice Centers	A-03-97-31001
September 27, 1999	Management Advisory Report: Usefulness of Reversal Reason Codes	A-06-96-21061
September 27, 1999	The Social Security Administration's Management of Its Freedom of Information Act Activities	A-13-98-01027
September 27, 1999	Testing of the Contingency Plan for the Social Security Administration's National Computer Center (Confidential Report)	A-13-98-12038
September 27, 1999	Management Advisory Report: Identifying and Validating Non-Mission Critical Commercial Software for Year 2000 Compliance	A-14-99-11003
September 27, 1999	Single Audit of the State of Iowa for the Fiscal Year Ended June 30, 1998	A-77-99-00015
September 27, 1999	Single Audit of the State of Kentucky for the Fiscal Year Ended June 30, 1997	A-77-99-00016
September 29, 1999	Identification of Beneficiaries Confined to Mental Health Institutions	A-01-99-61005
September 29, 1999	Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items	A-03-98-31009
September 29, 1999	State Fiscal Year 1996 Single Audit Findings	A-07-98-71002
September 29, 1999	Payment Accuracy Task Force – SSI Unearned Income Issue Team	A-13-99-51010
September 30, 1999	Performance Measure Review: Periodic Full Medical Continuing Disability Review Data Collection	A-01-98-94003
September 30, 1999	Contingency Planning for the Social Security Administration (Confidential Report)	A-13-98-12022

**Reports with Questioned Dollars for the Reporting Period
October 1, 1998, through March 31, 1999**

Date Issued	Title	Common Identification Number	Dollar Amount
November 2, 1998	Accounting for Social Security Benefits by Contra Costa County, California	A-09-98-52009	\$9,239
December 4, 1998	Audit of Administrative Costs at the California Disability Determination Services	A-09-97-51006	\$4,848,619
December 29, 1998	Single Audit of the State of California for the Fiscal Year Ended June 30, 1997	A-77-99-00003	\$89,867
		Total	\$4,947,725

**Reports with Questioned Dollars for the Reporting Period
April 1, 1999, through September 30, 1999**

Date Issued	Title	Common Identification Number	Dollar Amount
April 19, 1999	Single Audit of the State of Oklahoma for the Fiscal Year Ended June 30, 1997	A-77-99-00008	\$4,389
May 17, 1999	Administrative Costs Claimed at the Missouri Disability Determination Services	A-07-97-51006	\$3,417
September 24, 1999	Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determination	A-13-98-51007	\$689,158
September 24, 1999	Audit of Costs Claimed by the Center for Addictive Behaviors, Inc. on the Social Security Administration's Contract Number 600-95-22671	A-13-98-51041	\$49,565
September 24, 1999	Audit of Administrative Costs Claimed by the Delaware Disability Determination Services	A-13-98-52015	\$76,322
September 27, 1999	Waivers Granted for Title II Overpayments Exceeding \$500	A-09-97-61005	\$4,310,708
September 27, 1999	School Attendance by Child Beneficiaries Over Age 18	A-09-97-61007	\$73,907,760
		Total	\$79,041,319

**Reports with Funds Put to Better Use for the Reporting Period
October 1, 1998, through March 31, 1999**

Date Issued	Title	Common Identification Number	Dollar Amount
March 3, 1999	Management Advisory Report: Welfare Reform Childhood Redetermination Accuracy	A-01-98-62012	\$9,469,523
		Total	\$9,469,523

**Reports with Funds Put to Better Use for the Reporting Period
April 1, 1999, through September 30, 1999**

Date Issued	Title	Common Identification Number	Dollar Amount
May 17, 1999	Administrative Costs Claimed at the Missouri Disability Determination Services	A-07-97-51006	\$107,428
September 20, 1999	Use of Plans for Achieving Self-Support to Obtain Supplemental Security Income Benefits	A-01-98-61006	\$18,253,074
September 24, 1999	Audit of Administrative Costs Claimed by the Ohio Rehabilitation Services Commission for Its Bureau of Disability Determinations	A-13-98-51007	\$1,109,128
September 27, 1999	Waivers Granted for Title II Overpayments Exceeding \$500	A-09-97-61005	\$37,417,726
September 27, 1999	School Attendance by Child Beneficiaries Over Age 18	A-09-97-61007	\$140,359,563
September 29, 1999	Review of Controls Over Nonwork Social Security Numbers	A-08-97-41002	\$63,000,000
		Total	\$260,246,919

APPENDICES

Appendix A

Government Performance and Results Act Work Plan

In Fiscal Year (FY) 1999 we developed a 3-year work plan to review the Social Security Administration's (SSA) implementation of the Government Performance and Results Act (GPRA). The plan is based on SSA's FY 2000 Annual Performance Plan. As part of its Performance Plan, SSA has established the following broad strategic goals, which encompass its program activities.

- Goal 1: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation*
- Goal 2: To deliver customer-responsive world-class service*
- Goal 3: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse*
- Goal 4: To be an employer that values and invests in each employee*
- Goal 5: To strengthen public understanding of the Social Security programs*

Each of these strategic goals has supporting strategic objectives and corresponding performance indicators and goals.

Below is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future Annual Performance Plans, we will adjust our work plan accordingly.

FY 1999—COMPLETED REVIEWS

In FY 1999, we conducted performance measure reviews to determine the reliability of the data used to measure the following SSA performance indicators and goals.

Strategic Goal: To deliver customer-responsive world-class service	
<i>Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good or excellent, with most rating it excellent</i>	
Performance Indicator	FY 2000 Goal
• Percent of SSA's core business customers rating SSA's overall service as excellent, very good or good	• 88
• Percent of SSA's core business customers rating SSA's overall service as excellent	• 37
• Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good	• 82

FY 2000—PLANNED REVIEWS

In FY 2000, we plan to conduct performance measure reviews of:

- SSA's Performance Measure Data;
- SSA's FY 1999 Annual Performance Report, and
- SSA's 2000 and 2001 Annual Performance Plans.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

Strategic Goal: To deliver customer-responsive world-class service	
<i>Output Measures for Major Budgeted Workloads</i>	
<ul style="list-style-type: none"> • Retirement, Survivors Insurance claims processed • Supplemental Security Income (SSI) aged claims processed • Initial disability claims processed • Disability claims pending • Hearings processed • Hearings pending • Social Security number (SSN) requests processed • 800-number calls handled 	<ul style="list-style-type: none"> • 3,134,800 • 144,200 • 2,144,000 • 408,000 • 622,400 • 209,000 • 16,300,000 • 60,000,000
<i>Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good or excellent, with most rating it excellent</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Percent of callers who successfully access the 800-number within 5 minutes of their first call • Percent of callers who get through to the 800-number on their first attempt • Percent of public with an appointment waiting 10 minutes or less • Percent of public without an appointment waiting 30 minutes or less • Percent of 800-number calls handled accurately: <ul style="list-style-type: none"> • service accuracy • payment accuracy 	<ul style="list-style-type: none"> • 95 • 90 • 85 • 70 • 90 • 95

<i>Objective: To raise the number of customers who receive service and payments on time</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Initial disability claims average processing time (days) 	<ul style="list-style-type: none"> 100
<ul style="list-style-type: none"> Hearings average processing time (days) 	<ul style="list-style-type: none"> 268
<ul style="list-style-type: none"> Percent of Old-Age and Survivors Insurance (OASI) claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later 	<ul style="list-style-type: none"> 83
<ul style="list-style-type: none"> Percent of initial SSI aged claims processed within 14 days of filing date 	<ul style="list-style-type: none"> 66

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

<i>Output Measures for Major Budgeted Workloads</i>	
<ul style="list-style-type: none"> Continuing Disability Reviews (CDR) processed 	<ul style="list-style-type: none"> 1,882,700
<ul style="list-style-type: none"> SSI nondisability redeterminations 	<ul style="list-style-type: none"> 2,238,550
<ul style="list-style-type: none"> Annual earnings postings 	<ul style="list-style-type: none"> 258,900,000
<ul style="list-style-type: none"> Representative payee actions 	<ul style="list-style-type: none"> 6,990,600

Objective: To make benefit payments in the right amount

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Dollar accuracy of OASI payment outlays: <ul style="list-style-type: none"> Percent without overpayments Percent with underpayments 	<ul style="list-style-type: none"> 99.8 99.8
<ul style="list-style-type: none"> Disability Determination Services decisional accuracy rate 	<ul style="list-style-type: none"> 97
<ul style="list-style-type: none"> Percent of SSNs issued accurately 	<ul style="list-style-type: none"> 99.8

Objective: To maintain through 2002, current levels of accuracy and timeliness in posting earnings data to individuals' earnings records

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of earnings posted to individuals' records by September 30 	<ul style="list-style-type: none"> 98
<ul style="list-style-type: none"> Percent of earnings items posted correctly 	<ul style="list-style-type: none"> 99

<i>Objective: To increase debt collections by 7 percent annually through 2002</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Old-Age, Survivors and Disability Insurance (OASDI) debt collected • SSI debt collected 	<ul style="list-style-type: none"> • \$1,263.2 million • \$617.3 million

Strategic Goal: To be an employer that values and invests in each employee	
<i>Objective: To provide a physical environment that promotes the health and well-being of employees</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Percent of employees reporting they are satisfied with the level of security in their facility 	<ul style="list-style-type: none"> • 75

Strategic Goal: To strengthen public understanding of the Social Security program	
<i>Objective: By 2005, 9 out of 10 Americans will be knowledgeable about the Social Security Programs in five important areas</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Percent of individuals issued SSA-Initiated Personal Earnings and Benefit Estimate Statement (PEBES) as required by law 	<ul style="list-style-type: none"> • 100

FY 2001—PLANNED REVIEWS

In FY 2001, we plan to conduct performance measure reviews of:

- SSA’s FY 2000 Annual Performance Report, and
- SSA’s FY 2002 Annual Performance Plan.

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

Strategic Goal: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation	
<i>Objective: To promote changes based on research and evaluation analysis, that shape the OASI and Disability Insurance (DI) programs in a manner that takes account of future demographic and economic challenges, provides an adequate case of economic security for workers and their dependents, and protects vulnerable populations.</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of OASDI programs • Preparation of analyses and reports on the effect of OASDI programs on different populations to identify areas for policy change and develop options as appropriate • Preparation of analyses and reports on demographic, economic, and international trends and their effects of OASDI programs in order to anticipate the need for policy change and develop options as appropriate • Preparation of research and policy evaluation necessary to assist the Administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs 	<ul style="list-style-type: none"> • Identify and define barometer measures to be used <p>Prepare analyses and reports in the following topics:</p> <ul style="list-style-type: none"> • The effect of OASDI programs on women • The effect of OASDI programs on minorities • The effect of OASDI programs on low-wage workers • Study on characteristics of people receiving DI benefits, and • Analysis on the effect of changes in Social Security benefits on the DI program <p>Prepare analyses in the following topics:</p> <ul style="list-style-type: none"> • Trends in marriage, divorce, and re-marriage on Social Security programs • Immigration and Social Security • Lifetime redistributive effects of Social Security cohorts, and • International retirement policy reforms <ul style="list-style-type: none"> • Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress, and other policymakers

Strategic Goal: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation

Objective: To promote changes based on research and evaluation analysis, that shape the SSI program in a manner that protects vulnerable populations, anticipates evolving needs of SSI populations, and integrates SSI payments with other Social Benefit programs to provide a safety net for aged, blind and disabled individuals.

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of SSI program • Expansions and acquisition of data on the characteristics of SSI populations in order to improve capacity to provide analyses, identify areas for policy change, and develop options as appropriate • Preparation of a report and completion of data collection of the SSI Childhood Disability Survey in order to assess the impact of welfare reform, identify areas of potential policy change, and develop options as appropriate • Preparation of analysis on sources of support for the SSI population in order to identify areas for better coordination with other social benefits and develop options as appropriate 	<ul style="list-style-type: none"> • Identify and define barometer measures to be used • Link survey data with programmatic data • Prepare final report on the effects of 1996 welfare reform legislation on SSI children with disabilities • Begin implementation of a national survey of children with disabilities • Prepare the analysis

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

Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> • Number of DI adult worker beneficiaries who begin a trial work period • Number of SSI disabled and blind beneficiaries, aged 18-64, who are working • Preparation of a research design to develop techniques for validating medical listings • Preparation of reports on results of the Disability Evaluation Study in order to identify potentially eligible disabled populations, interventions that enable continued work effort among the disabled, and guide changes to the disability decision process • Establish a Disability Research Institute 	<ul style="list-style-type: none"> • 17,600 • 10 percent • Award a contract to design a methodology to validate a single listing • Complete pilot study • Award contract to establish the Disability Research Institute

Objective: Provide information for decisionmakers and others on the Social Security and SSI programs through objective and responsive research, evaluation, and policy development	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness Issuance of periodically updated research and policy agenda 	<ul style="list-style-type: none"> Develop customer survey and data collection mechanism Issue the initial research and policy agenda

Strategic Goal: To deliver customer-responsive world-class service	
Objective: By 2002, to have 9 out of 10 customers rate SSA's service as good, very good or excellent, with most rating it excellent	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of employers rating SSA's overall service as excellent, very good or good Percent of employers rating SSA's overall service as excellent 	<ul style="list-style-type: none"> 93 13
Objective: By 2002, to increase the range of program information services available to customers over the phone or electronically	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> New or expanded service available over the phone New or expanded service available electronically Number of customers accessing Social Security Online Percent of automated SSA-initiated PEBES inquiries processed on Internet 	<ul style="list-style-type: none"> Take retirement or survivors claims immediately over the telephone, or in person, as long as the applicant has all the information needed Provide overnight electronic SSN verification for employers Give employers the option to transmit wage reports to SSA electronically using a personal computer or high-speed data transmission lines Establish capacity to receive secure, on-line public inquiries about claims and benefits Establish the capacity to schedule hearings with attorneys over the Internet 7.0 million 50 percent (Baseline to be established in FY 1999)

Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse	
<i>Objective: To make benefit payments in the right amount</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Office of Hearings Appeals decisional accuracy rate 	<ul style="list-style-type: none"> 85
<i>Objective: To become current with DI and SSI CDR requirements by 2002</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of multi-year (FY 1996-2002) CDR plan completed 	<ul style="list-style-type: none"> 63
<i>Objective: To aggressively deter, identify and resolve fraud</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Number of investigations conducted OASDI dollar amounts reported from investigative activities SSI dollar amounts reported from investigative activities Number of criminal convictions 	<ul style="list-style-type: none"> 7,200 \$9 million \$55 million 1,800

Strategic Goal: To be an employer that values and invests in each employee	
<i>Objective: To provide the necessary tools and training to achieve a highly skilled and high-performing workforce</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of offices with access to Interactive Video Training/Interactive Distance Learning Formal management development programs implemented Percent of managerial staff participating in management/leadership development experiences 	<ul style="list-style-type: none"> 100 percent Senior Executive Service completed Advanced Leadership Program completed Leadership Program started 33 1/3 percent

<i>Objective: To provide a physical environment that promotes the health and well-being of employees</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of environmental air quality surveys completed and percent of the corrective actions taken when called for Number of facilities having water quality testing and percent of corrective actions taken when called for Number of relocated offices having security surveys and percent of accepted security recommendations implemented 	<ul style="list-style-type: none"> 20 percent facilities surveyed 75 percent corrective actions taken 600 facilities tested 100 percent corrective actions taken 150 offices surveyed 85 percent accepted recommendations implemented
<i>Objective: To promote an Agency culture that successfully incorporates our values</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Create Agency change strategy 	<ul style="list-style-type: none"> Develop and implement strategy
<i>Objective: To create a workforce to serve SSA's diverse customers in the twenty-first century</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Complete Agency plan for transitioning to the workforce of the future 	<ul style="list-style-type: none"> Implement competency-based models for recruitment and training needs assessment Complete employee survey Publish transition plan

Strategic Goal: To strengthen public understanding of the Social security programs	
<i>Objective: By 2005, 9 out of 10 Americans will be knowledgeable about the Social security programs in five important areas</i>	
Performance Indicator	FY 2000 Goal
<ul style="list-style-type: none"> Percent of public who are knowledgeable about Social Security programs 	<ul style="list-style-type: none"> To be set once baseline established in FY 1999

The Complete text of SSA's Strategic Plan can be found on the Internet.

Appendix B

Reporting Requirements Under the Omnibus Consolidated Appropriations Act for Fiscal Year 1997

To meet the requirements of The Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report requisite data for Fiscal Year 1999 from the Offices of Investigations and Audit.

We are reporting \$40,271,097 in Social Security Administration (SSA) funds as a result of our Office of Investigations activities in this reporting period. These funds are broken down in the table below.

Types of Funds	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Court-Ordered Restitution	\$3,219,133	\$2,619,704	\$3,253,271	\$4,073,676	\$13,165,784
Scheduled Recoveries	\$3,992,853*	\$7,116,998*	\$5,679,842	\$9,408,611	\$26,198,304
Fines	\$41,414	\$7,450	\$33,359	\$90,717	\$172,940
Settlements/Judgments	\$239,011	\$115,000	\$339,058	\$41,000	\$734,069
Totals	\$7,492,411	\$9,859,152	\$9,305,530	\$13,614,004	\$40,271,097

* Figures reduced due to implementation of a new tracking system.

SSA management has informed the Office of Audit that it has completed implementing recommendations from 2 audit reports during this fiscal year valued at \$13.4 million.

Special Joint Vulnerability Review of the Supplemental Security Income Program (A-04-95-06020), December 16, 1997

We recommended that SSA identify Supplemental Security Income recipients for the remainder of the 500 members of the extended Georgia family and conduct Continuing Disability Reviews and evaluate the results, individually and collectively, to determine if there is any pattern or potential patterns of fraud that may warrant referral to the Office of the Inspector General's Office of Investigations. SSA implemented this recommendation in December 1998. The implemented recommendation is valued at \$2.1 million.

Potential for Contracting with Medical Provider Networks to Purchase Consultative Examinations (A-07-95-00828), May 14, 1997

We recommended that SSA direct State Disability Determination Services to negotiate contracts with medical provider networks for volume discounts on consultative examinations to the maximum extent possible. SSA implemented this recommendation in March 1999. The implemented recommendation is valued at \$11.3 million.

Appendix C

Actual Collections and Offsets for Office of the Inspector General Audit Reports Fiscal Years 1997 - 1999

The following chart summarizes the Agency's responses to the Office of the Inspector General's recommendations for the recovery or redirection of questioned and unsupported costs. This information is prepared in coordination with the Agency's management officials and is current as of September 1999.

	Number of Reports	Questioned/Unsupported Costs	Management Concurrence	Amount Collected or Recovered	Amount Written Off/Adjustments	Balance
FY 1997	6	\$3,964,487	\$3,377,089	\$3,372,181	\$4,908	\$587,398
FY 1998	10	\$14,661,078	\$13,986,131	\$14,057,007	\$1,583,066	\$858,610
FY 1999	10	\$83,989,044	\$77,651,983	\$3,650,134	\$1,305,397	\$79,033,513
TOTALS	26	\$102,614,609	\$95,015,203	\$21,079,322	\$2,893,371	\$80,479,521

Appendix D

Significant Monetary Recommendations from Prior Reports for which Corrective Actions Have Not Been Completed

Southwest Tactical Operation Plan: Investigative Results (A-06-97-22008), March 31, 1998

Develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status.

Monitoring Representative Payee Performance: Roll-up Report (A-09-96-64201), March 28, 1997

1. Consider requiring reports from low-risk representative payees in 3-year intervals instead of on an annual basis.
2. Seek legislative relief from the Social Security Act and Jordan Court Order to change annual reporting requirements for some payees.

Appendix E

Significant Non-Monetary Recommendations from Prior Reports for which Corrective Actions Have Not Been Completed

Special Joint Vulnerability Review of the Supplemental Security Income Program, (A-04-95-06020), December 16, 1997

Modify the Supplemental Security Income Display to include additional comments or codes for the identification of potential fraud/abuse cases, subject to the Social Security Administration's evaluation of the most advantageous method of presentation on the Supplemental Security Income Display.

Effectiveness in Obtaining Records to Identify Prisoners (A-01-94-02004), May 10, 1996

Provide a single standard for stopping payments to prisoners receiving Old-Age, Survivors and Disability Insurance and Supplemental Security Income payments.

Appendix F

Significant Management Decisions with which the Inspector General Disagrees

Effects of State Awarded Workers' Compensation Payments on Social Security Benefits (A-04-96-61013), September 30, 1998

Recognize and identify workers' compensation offset as a reportable internal control weakness under the Federal Managers' Financial Integrity Act, including its significant \$526.7 million effect on the Master Beneficiary Record, and the shortcomings in the administration and processing of workers' compensation offsets.

Inconsistent Beneficiary Entitlement Periods (A-09-97-21003), July 2, 1998

1. The Social Security Administration (SSA) should submit a legislative proposal to define age attainment as occurring on a person's birthday.
2. SSA should submit a legislative proposal to define the month after the individual's birthday as the first month of entitlement.

Audit of Separation of Duties in the Social Security Administration's Modernized Supplemental Security Income Claims System (Confidential Report) (A-07-96-21065), August 29, 1997

SSA should improve separation of duties by preventing employees and supervisors from adjudicating claims for the same accounts on which they change death information or process Social Security number (SSN) applications.

Canada's Experience in Charging a User Fee for Social Insurance Number Cards (A-06-97-62003), May 22, 1997

SSA should charge a fee for replacement SSN cards.

Review of Internal Controls in the Social Security Administration's Modernized Claim System (Confidential Report) (A-04-95-06019), May 16, 1997

1. Notify number holder, within limitations of the Privacy Act, whenever individuals begin to receive benefits under their accounts.
2. Alert field office employees of the potential for fraudulent claims through the use of beneficiary responses to SSA's notification under Family Maximum Provisions.

3. Prevent supervisors from adjudicating claims and deleting death information by either maintaining separation of duties for these functions in TOP SECRET or by developing application controls to prevent these actions on the same claim.
4. Prevent supervisors from overriding controls on claims they have processed with unknown SSNs and/or death discrepancies.

The Social Security Administration's Program for Monitoring the Quality of Telephone Service Provided to the Public (A-13-96-52001), July 31, 1997

SSA should (1) require a PIN/password for log-on and (2) prevent the monitoring of calls from any telephone that is outside of SSA's telecommunication system.

Audit of the Social Security Administration's Fiscal Year 1995 Financial Statements (A-13-96-51002), April 8, 1996

Report lack of separation of duties as a material weakness under the Federal Managers' Financial Integrity Act.

How to Report Fraud

The Social Security Administration (SSA) Fraud Hotline offers a convenient means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA Fraud Hotline.

Call

1-800-269-0271

Write

Social Security Administration
Office of the Inspector General
Attention: SSA Fraud Hotline
P.O. Box 17768
Baltimore, MD 21235

410-597-0118 (fax)

E-Mail

Oig.hotline@ssa.gov



Glossary of Acronyms

ACLI	American Council of Life Insurance
AERO	Automatic Earnings Reappraisal Operation
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
AO	Adjudication Officer
APP	Annual Performance Plan
AWR	Annual Wage Report
BL	Black Lung
CDI	Cooperative Disability Investigation
CDL	Commercial Driver's License
CDR	Continuing Disability Review
CFO	Chief Financial Officer
CIRP	Comprehensive Integrity Review Process System
CMP	Civil Monetary Penalty
COLA	Cost-of-Living Adjustment
CSAO	Connecticut Chief State's Attorney's Office
CSRS	Civil Service Retirement System
DDS	Disability Determination Service
DES	Disability Evaluation Study
DI	Disability Insurance
DOL	Department of Labor
DRP	Disaster Recovery Plan
DSS	Department of Social Services
ETA	Electronic Transfer Account
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act
FO	Field Office
FOIA	Freedom of Information Act
FPM	Full Process Model
FRSC	Federal Records Service Corporation
FTC	Federal Trade Commission
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GPRA	Government Performance and Results Act
GSA	General Services Administration
HCFA	Health Care Financing Administration
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
Hotline	Social Security Administration Fraud Hotline
HPI	Hearings Process Improvement Plan
IAA	Inter-Agency Agreement
IAQ	Indoor Air Quality
IDD	International Direct Deposit
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
IVT/IDL	Interactive Video Training/Interactive Distance Learning
IWS/LAN	Intelligent Workstation/Local Area Network
LAE	Limitation on Administrative Expenses

LAN	Local Area Network
MD&A	Management's Discussion and Analysis
MDF	Modular Disability Folder
MI	Management Information
MIIM	Management Information Integrity Monitoring Team
MINT	Modeling Income in the Near Term
MRC	Mainframe/Midrange Recovery Centers
NA	Not Available
NCC	National Computer Center
NDDSS	National Disability Determination Services System
NHSPCS	National Health and Safety Partnership Committee on Security
NYC	New York City
OA	Office of Audit
OASDI	Old-Age and Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCIG	Office of the Counsel to the Inspector General
OESP	Office of Employment Support Programs
OHA	Office of Hearings and Appeals
OH-BDD	Ohio State Bureau of Disability Determination
OI	Office of Investigations
OIG	Office of the Inspector General
OIG/OA	Office of the Inspector General/Office of Audit
OMB	Office of Management and Budget
ONRS	On-Line Notice Retrieval System
PC	Personal Computer
PEBES	Personal Earnings and Benefit Estimate Statement
PIN	Personal Identification Number
P.L.	Public Law
PUMS	Public Understanding Measurement System
PwC	PricewaterhouseCoopers LLP
Rep Payee	Representative Payee
RO	Regional Office
RRB	Railroad Retirement Board
RRC	Retirement Research Consortium
RRI	Railroad Retirement Interchange
RSC	Rehabilitation Services Commission
RSI	Retirement and Survivors Insurance
RTO	Recovery Time Objective
SAP	Security Action Plan
SECA	Self-Employment Contributions Act
SMART	Security Management Action Report
SPI	State Partnership Initiative
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TOP	Treasury Offset Program
TRO	Tax Refund Offset
TY	Tax Year
USDR	U.S. Document Records
USDS	U.S. Document Services
VA	Department of Veterans Affairs
VCU	Virginia Commonwealth University
VR	Vocational Rehabilitation
WRC	Workarea Recovery Centers
Y2K	Year 2000