

# Performance Goals and Results

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

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

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

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

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

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

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

## **Key Performance Indicator 1**

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

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

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

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

## **Key Performance Indicator 2**

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

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

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

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

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

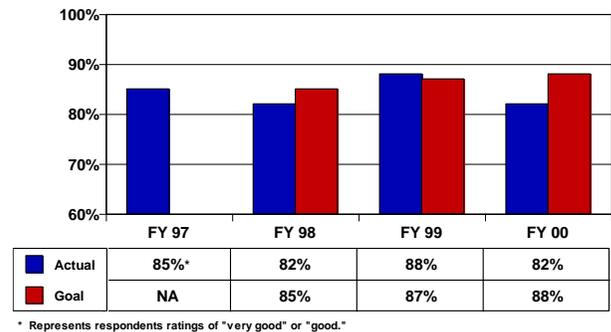
This goal encompasses the range of services that SSA provides in response to customer demand, across all the programs that we administer--OASI, DI and SSI--and through all modes that we use to interface with the public--telephone, in-office, mail, automated self-service and third parties. Chief among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

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

**Key Performance Indicator 3**

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

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

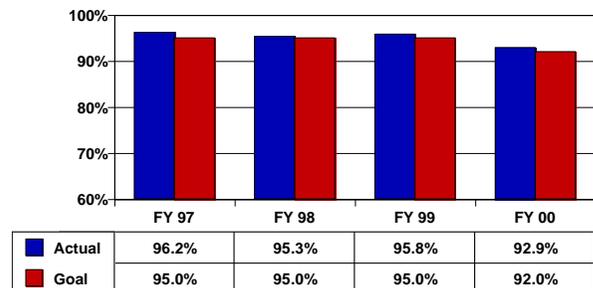


Overall satisfaction is now derived from rolled-up data from the Office Visit Survey, 800 Number Customer Survey and FO Telephone Survey, and weighted to the overall universe of each service mode. Because 800 number and FO caller interactions represent such a large percentage of overall interactions,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

**Key Performance Indicator 4**

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

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

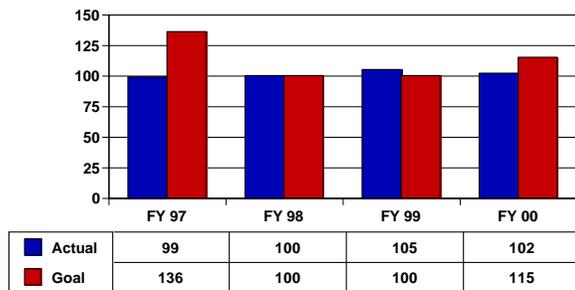


The Agency adjusted the 5 minute access goal from 95 percent to 92 percent in its Revised Final FY 2000 Performance Plan due to reductions to our FY 2000 budget request. The Agency is benchmarking call centers to determine whether the current access measure is still appropriate. A report is due in April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

**Key Performance Indicator 5**

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

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



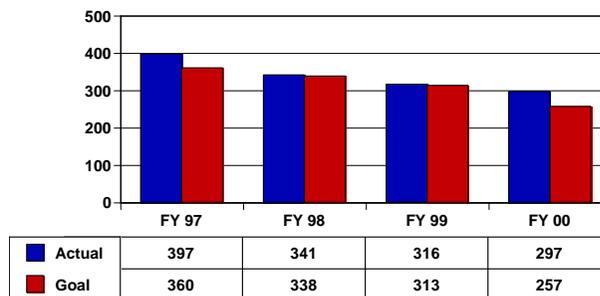
The goal for this indicator was increased from 100 to 115 days in SSA's FY 2000 Revised Final Performance Plan due to a combination of factors. Those factors included actual FY 1999 performance which reflected an overall trend of increasing disability processing time, anticipated impact in FY 2000 of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

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

**Key Performance Indicator 6**

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

**Hearings Average Processing Times (Days)**



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

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

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

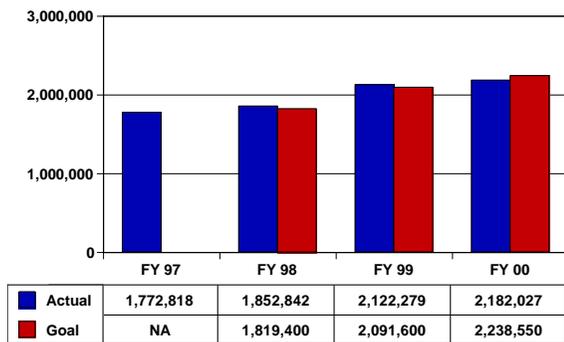
**Strategic Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse**

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

**Key Performance Indicator 7**

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

**SSI Non-Disability Redeterminations**

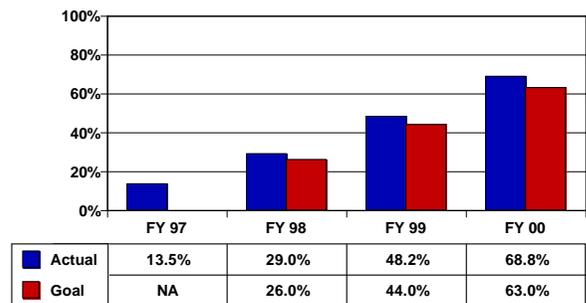


The target for this workload measure was adjusted downward from the FY 2000 APP target of 2,238,550 to 2,025,000 in SSA's FY 2000 Operating Plan based on reductions to our FY 2000 budget request and the resulting impact on available resources. SSA regional offices all set quarterly interim targets to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

**Key Performance Indicator 8**

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

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

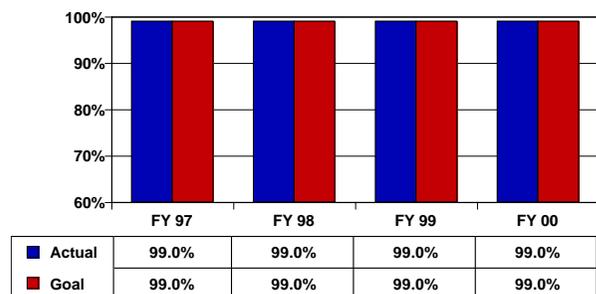


Based on the May 16, 2000, revision of SSA's CDR 7-year plan, the 63 percent completion goal included in the FY 2000 APP was raised to 66 percent. SSA exceeded the APP goal as well as the adjusted goal.

**Key Performance Indicator 9**

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

**Percent of Earnings Posted Correctly**



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

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

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

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

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

**Key Performance Indicator 10**

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

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

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

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

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

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

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

FY 2000 Goal 2 - Complete the employee survey

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

FY 2000 Goal 3 - Publish an Agency transition plan

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

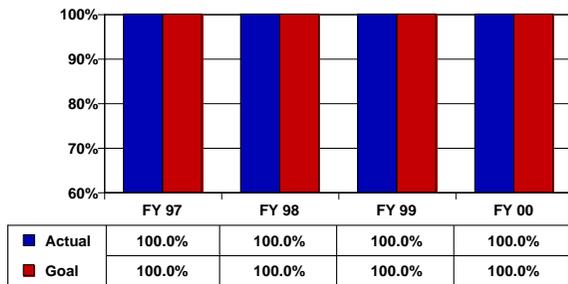
***Strategic Goal: To strengthen public understanding of Social Security programs***

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

**Key Performance Indicator 11**

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

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



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

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

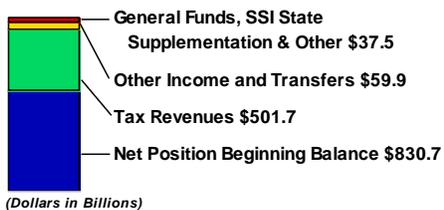
# Highlights of SSA's Financial Position

## Overview of Financial Data

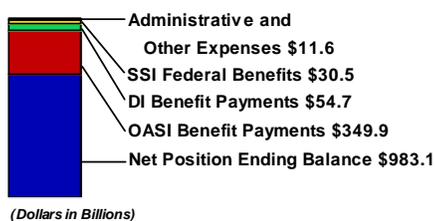
SSA's financial statements and footnotes, appearing on pages 36 through 49, received an unqualified audit opinion for the seventh consecutive year. The balance sheet displayed on page 36 reflects total assets of \$1,029.2 billion, an 18 percent increase over the previous year. This increase is attributable to the steady growth of the OASDI Trust Fund reserves which were invested to generate \$62.2 billion of interest income, an increase of about \$8.5 billion compared to FY 1999. Of these \$1,029.2 billion in assets, almost 98 percent are investments. These investments are commonly known as the Social Security trust funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The majority of our liabilities, almost 85 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October.

The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2000 and how these funds were used. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown as a percent of benefit expenses is 1.7 percent.

## Where It Comes From...

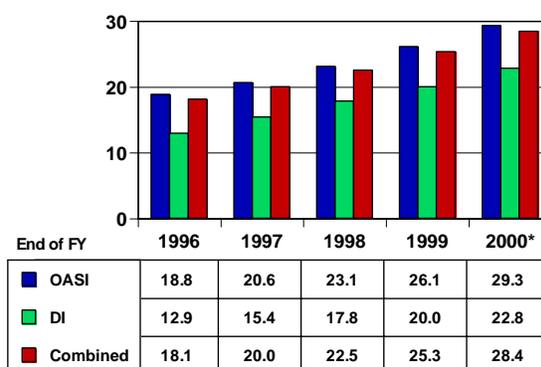


## ...Where it Goes



The Social Security trust funds are deemed to be adequately financed on a pay-as-you-go basis if the asset level at the end of a fiscal year is sufficient to cover at least 1 year's worth of outgo in the absence of other income such as payroll taxes. The following table shows that the number of months of benefits that combined yearend OASDI assets can pay has grown from 18 months at the end of FY 1996 to 28 months at the end of FY 2000, a 56 percent increase.

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



\* Based on 2000 Trustees Report intermediate assumptions.

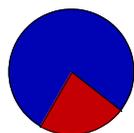
## SSA's Share of Federal Operations

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

## SSA's Share of Federal Receipts and Disbursements

FY 2000

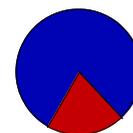
Total Federal Receipts  
\$2,025



SSA Receipts  
\$594 (29.3%)

(Dollars in Billions)

Total Federal Disbursements  
\$1,788

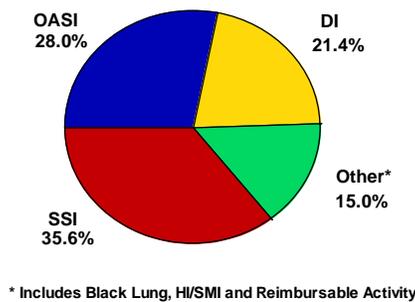


SSA Disbursements  
\$454 (25.4%)

**Use of Administrative Resources**

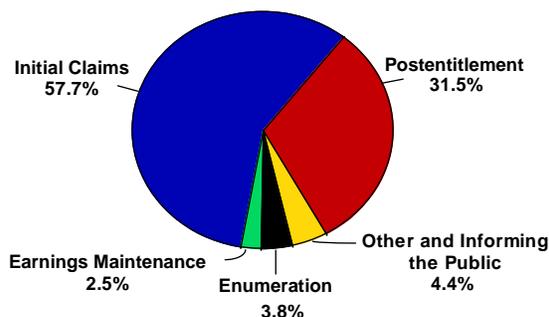
The chart below displays the use of administrative resources in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise less than 20 percent of the total benefit payments made by SSA, they consume nearly 57 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits.

**Use of Administrative Resources by Program**



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

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

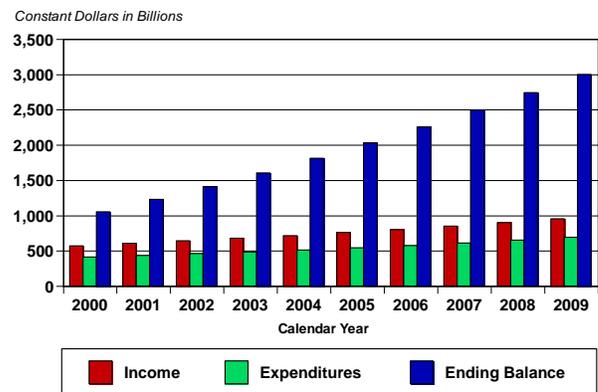


**Short Term Impact on SSA’s Financial Position**

The Social Security Trust Fund is deemed adequately financed for the short term when actuarial estimates of assets meet or exceed outlay estimates in each year of the next decade. Estimates in the 2000 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years, having sufficient assets to pay full benefits until 2037. The table below shows that while combined OASDI expenditures and income are expected to increase by 68 and 68 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 185 percent.

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

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



**Limitation on Financial Statements**

The financial statements beginning on page 36 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515(b); (2).

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

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

# Systems and Controls

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

*On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal controls are in compliance with the internal control objectives in Office of Management and Budget Bulletin Number 01-02. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.*



*Commissioner of Social Security*

### **Federal Managers' Financial Integrity Act (FMFIA) Program**

SSA implemented an agencywide management control and financial management systems program as required by FMFIA. The Agency accomplishes the objectives of the program by:

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

Managers throughout the Agency are responsible for ensuring that effective controls are implemented in their areas of responsibilities. At the senior manager level, the Agency's Executive Internal Control Committee ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. The Committee provides executive oversight of the management control program, addresses management

control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan.

The Agency ensures that effective controls are incorporated into its business processes and financial management systems by addressing the issue up front in the life cycle development of processes and systems. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by the different levels of management that certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective. The Agency is in the process of replacing its core financial management system, and this life cycle process is being strictly followed. The target date for implementation of the new system is October 2002.

Once implemented, the controls of the new or changed processes or systems are monitored to ensure they remain effective. Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA, Federal Financial Management Improvement Act, Paperwork Reduction Act, Computer Security Act and OMB Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events; debt management; and SSA's financial management systems.

SSA develops and implements corrective action plans for weaknesses found through its management control reviews and financial management systems reviews and tracks the corrective actions until the weaknesses are corrected. Regional Security Office staffs monitor the status of corrective actions resulting from management control reviews of field activities and Headquarters staff monitor the status of corrective actions resulting from financial management systems reviews. The status of

corrective actions is periodically updated and reported to SSA executives as appropriate.

### **Management Control Review Program**

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each FY. The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and judgement of the regional security personnel. During FY 2000, SSA's managers and contractors conducted reviews of 1,341 management control areas in 169 FOs and staff components.

In 1998, SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. During the first two years of this contract, the contractor reviewed operations at SSA's central office, processing centers, all 10 Regional Offices (RO), 70 FOs and a Program Service Center (PSC). The contractor's efforts to date have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements. Also, no significant weaknesses indicating noncompliance with laws and regulations have been reported. The contractor will concentrate its efforts on SSA's ROs, FOs and PSCs during the third year of the contract.

### **Financial Management Systems (FMS) Review Program**

OMB Circular A-127 requires agencies to maintain an FMS inventory and to conduct reviews to ensure FMS requirements are met. In addition to financial systems, SSA also includes all major programmatic systems in this FMS inventory. Within a 5-year period, SSA conducts both a detailed review and a limited review of each system. An independent contractor conducts the detailed review that includes transaction testing and the system manager conducts the limited review.

During FY 2000, SSA's contractor conducted detailed reviews of the Retirement, Survivors and Disability Insurance (RSDI) Accounting System, the RSDI Postentitlement System and the SSA Supply System. The systems managers conducted limited reviews of the Supplemental Security Income Record Maintenance System and the Financial Accounting System. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with management control and security standards, accounting principles and standards and information resources

management standards prescribed by law, Federal regulations and the Comptroller General of the United States.

### **FMFIA Material Weakness**

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

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

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

### **Audit of Financial Statements**

For the last 4 years the Office of the Inspector General contracted for the audit of SSA's financial statements. Each year the auditor found that the principal financial statements were fairly stated in all material respects. The auditor also found management's assertion that SSA's systems of accounting and internal controls were in compliance with OMB's internal control objectives to be fairly stated in all material respects. Although the auditor, using OMB's audit standards, identified reportable conditions involving internal controls beginning in FY 1997, none were identified as material

weaknesses as defined by the American Institute of Certified Public Accountants and OMB.

The audit of SSA's financial statements and internal controls by an independent public accounting firm has proved to be a rewarding experience. In the audit report for the FY 1997, the auditor identified five reportable conditions that were significant deficiencies in the design and operation of an internal control. SSA developed corrective action plans for the weaknesses and aggressively pursued those corrections. As a result, SSA's internal controls have greatly improved over the past 4 years. Further, SSA is committed to pursuing the corrective actions until all weaknesses identified by the audits are corrected.

In the audit report for FY 1998, the auditor determined that SSA's corrective actions had progressed to the point where two of the five original reportable conditions from FY 1997 were removed. There were no new reportable conditions identified. In the audit report for FY 1999, the auditor removed another reportable condition from prior years, and indicated that SSA continued to make significant progress towards correcting the remaining two reportable conditions. Again, the auditor did not name any new reportable conditions. The two remaining reportable conditions were:

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

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

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

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

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