

APPENDIX



Improper Payments Information Act of 2002 Detailed Report

Background

SSA reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the nonmedical aspects of old age and survivors' insurance (OASI), disability insurance (DI), and supplemental security income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the Improper Payments Information Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the Government Performance and Results Act of 1993.

Statistical Sampling

The Old-Age, Survivors and Disability Insurance (OASDI) payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical factors of entitlement are redeveloped as of the current sample month. Findings are input to a national database for analysis and report preparation. Similarly, the SSI payment outlay rates are determined by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. Separate rates are determined for the accuracy of payments in terms of overpayment and underpayment dollars.

Risk-Susceptible Program

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and \$10 million. (See Table 1.) SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For FY 2005, improper payments resulting in overpayments totaled \$2.5 billion or 6.4 percent of outlays. Improper payments resulting in underpayments totaled \$528 million representing 1.4 percent of total outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular A-11.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays; e.g., beyond the OASI, DI and SSI programs that SSA administers, for the third consecutive year SSA performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI and SSI programs for fiscal years (FYs) FY 2003, 2004 and 2005 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. Target goals for FYs 2006, 2007, 2008 and 2009 for the OASDI and SSI programs are presented in Table 2. Estimated improper payment rates for FY 2006 will be available in June 2007. In the SSI program, SSA established an ambitious 5-year goal to achieve

96 percent overpayment accuracy by FY 2008 and to maintain that rate in FY 2009. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent for both overpayments and underpayments.

**Table 1: Improper Payments Experience FY 2003 - FY 2005
(\$ in millions)**

	FY 2003		FY 2004		FY 2005	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	\$396,700	100%	\$415,100	100%	\$430,400	100%
Underpayments	\$203	0.05%	\$535	0.13%	\$507	0.11%
Overpayments	\$173	0.04%	\$1,286	0.33%	\$210	0.05%
DI						
Total Payments	\$69,800	100%	\$78,200	100%	\$83,800	100%
Underpayments	\$280	0.40%	\$564	0.72%	\$473	0.56%
Overpayments	\$1,051	1.51%	\$1,296	1.70%	\$2,100	2.50%
OASDI						
Total Payments	\$466,500	100%	\$493,300	100%	\$514,200	100%
Underpayments	\$483	0.10%	\$1,099	0.21%	\$980	0.19%
Overpayments	\$1,224	0.24%	\$2,582	0.53%	\$2,300	0.45%
SSI						
Total Payments	\$35,706	100%	\$37,470	100%	\$39,068	100%
Underpayments	\$444	1.2%	\$504	1.3%	\$528	1.4%
Overpayments	\$2,195	6.1%	\$2,406	6.4%	\$2,500	6.4%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2003, +0.04% and -0.02% for underpayments and +0.04% and -0.12% for overpayments; for FY 2004, ±0.11% for underpayments and +0.32% and -0.34% for overpayments and for FY 2005, +0.13% and -0.11% for underpayments and +0.06% and -0.04% for overpayments.
3. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2003, +0.39% and -0.51% for underpayments and +1.50% and -2.39% for overpayments; for FY 2004, +0.68% and -0.69% for underpayments and +1.53% and -1.54% for overpayments and for FY 2005, +0.64% and -0.56% for underpayments and +1.81% and -1.82% for overpayments.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2003, ±0.3% for underpayments and ±1.0% for overpayments; for FY 2004, ±0.3% for underpayments and ±0.7% for overpayments and for FY 2005, ± 0.3% for underpayments and ± 0.9% for overpayments.

**Table 2: Improper Payments Reduction Outlook FY 2006 - FY 2009
(\$ in millions)**

	2006 target		2007 target		2008 target		2009 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	\$544,511	100%	\$575,933	100%	\$605,759	100%	\$638,499	100%
Underpayments	\$1,089	0.2%	\$1,152	0.2%	\$1,212	0.2%	\$1,277	0.2%
Overpayments	\$1,089	0.2%	\$1,152	0.2%	\$1,212	0.2%	\$1,277	0.2%
SSI								
Total Payments	\$41,773	100%	\$44,925	100%	\$46,691	100%	\$48,585	100%
Underpayments	\$501	1.2%	\$539	1.2%	\$560	1.2%	\$583	1.2%
Overpayments	\$1,921	4.6%	\$1,932	4.3%	\$1,868	4.0%	\$1,943	4.0%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2006 data will not be available until June 2007; therefore, the rates shown are targets (goals).
3. The FYs 2006, 2008 and 2009 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2007 Budget. The projections for FY 2007 are adjusted (from those presented in the Mid-Session Review) for the fact that there are only 11 payment days in that year, yet the quality review is not affected by payment days, but rather by entitlement months.

Improper Payments in the OASI program

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years (FYs 2001-2005), a total of over \$1.9 trillion was paid to OASI beneficiaries. Of that total, \$2.2 billion was overpaid, representing 0.1 percent of outlays. Underpayments during this same period totaled \$2.1 billion, the equivalent of 0.1 percent of outlays.

Improper Payments in the DI program

Over the last 5 years, (FY's 2001-2005), a total of over \$354.2 billion was paid to DI beneficiaries. Of that total, \$5.2 billion was overpaid, representing 1.5 percent of outlays. Underpayments during this same period totaled \$1.7 billion, the equivalent of 0.5 percent of outlays.

Major Causes of OASDI Improper Payments

Major causes of improper overpayments in the OASDI program over this 5-year period are listed below (followed by a detailed description under the Corrective Actions section) and account for nearly 80 percent of the improper overpayments identified.

- Substantial Gainful Activity (SGA)
- Computations
- Annual Earnings Test
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Age/Date of Birth
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments.

Corrective Actions

SGA: Errors attributed to SGA accounted for almost 57 percent of all OASDI overpayment deficiency dollars for the last 5 FYs (2001-2005). The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. Almost three quarters of the deficiency dollars associated with SGA are due to the beneficiary's failure to report that he/she is working. The remaining one-quarter of the deficiency dollars is associated with cases where SSA receives notice of work activity but fails to take appropriate action to adjust payment.

The Continuing Disability Review Enforcement Operation (CDREO) process is designed to alert Title II and concurrent Title II/Title XVI claims with potentially uninvestigated substantial earnings after disability onset. However, these alerts are dependent upon the earnings posting operation, which lags well behind when wages are actually earned. In addition, some alerts are generated which result in no change to the worker's benefits because the work is determined not to be SGA due to special work accommodations or other factors. These alerts receive the same priority as those with a higher likelihood of resulting in an SGA and attention to these alerts delay timely action on alerts that do require adjudicative action.

SSA has developed software that tracks the disposition of overpayments over time beginning with when they are detected. This software separates overpayments by dollar ranges and can be used to isolate debts based on a variety of other factors, such as the age of the beneficiary or type of disability. To better understand the problems with processing SGA cases, SSA has analyzed several hundred recently established overpayments. One objective is to develop a method which differentiates overpayments that reflect significant problems from those that appear to be less problematic. We anticipate that SSA's review of the CDREO alert process will produce a comprehensive picture of how SGA affects benefits and include recommendations for prioritization of alerts and/or the elimination of certain types of alerts that are no longer needed.

SSA has also implemented a new tool that should help improve timeliness and accuracy in processing DI work-related Continuing Disability Review (CDR) cases. eWork, which was implemented in FY 2005, provides managers with an automated tool for monitoring the CDR workload which aides in ensuring that these cases are prioritized for timely processing. Previously, problems with work CDR determinations were enhanced due to the use of multiple local area network-based systems to manage the work CDR process. In addition to being a tool for managers, eWork allows SSA staff to process and record work activity in a single national web-based database.

In addition, the Office of Child Support and Enforcement (OCSE) database of new hires should be useful to SSA in identifying unreported work that affects DI benefits. The identification of unreported wages from a match with the OCSE database would be timelier than the current annual earnings reporting/processing operation. SSA concluded a computer matching agreement with OCSE in December 2005 that permits a matching operation. SSA is in the process of finalizing a pilot study methodology, and a pilot study is expected to be underway during the first quarter of FY 2007.

Death Notification: Timely and accurate death data enables SSA to better effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments and other jurisdictions to improve the current death registration process. The most efficient manner to improve timeliness and accuracy of State data is by using an Electronic Death Registration (EDR) system; a web-based automation of the death registration process. EDR electronically links the participants in death registration and contains an online real-time Social Security Number (SSN) verification process. SSA's goal is to receive verified death report within 5 days of death and within 24 hours of the report's receipt in the State repository. EDR helps improve the accuracy of the death master file that we share with other Federal agencies. SSA currently receives death data via EDR from 14 States, New York City, and the District of Columbia. Fifteen States are in the process of implementing EDR. The Agency has awarded funding to nine additional States in FY 2006.

Computations: In past years, SSA implemented a series of initiatives to correct computation errors in benefit payments that had accumulated. They were related to the improper handling of additional earnings by entitled beneficiaries and the failure to convert recipients to higher benefits timely. To prevent continued occurrences of these errors, SSA is in the process of developing automated capabilities that will prevent, identify and correct these situations.

Relationship/Dependency: In the relationship/dependency area, SSA has redesigned its student verification process. Starting in March 2001 for students born June 2, 1983 or later, SSA verifies a student's school attendance information by obtaining a school official's certification before awarding benefits. The student must leave a reporting form with the school, and then SSA requests the school, as well as the student, to advise SSA of changes in the student's school attendance that could affect the student's entitlement to benefits.

Wages/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. SSA added language to the improved Social Security Statement to remind the public to inform SSA of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits. SSA has also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled SSA to receive over 181 million (74 percent) W-2s electronically for tax year 2005, exceeding its expectations of 70 percent. For tax year 2006, SSA's goal is to receive 80 percent of all W-2s electronically.

Earnings that remain in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. SSA is working to develop highly automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings;
- Match and move items from suspense to the beneficiary's earnings record; and
- Pay benefit increases.

SSA has initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. These new processes have removed about 11 million wage items from the earnings suspense file. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file.

To further improve posting of earnings records, in June 2005 SSA implemented the Social Security Number Verification Service (SSNVS). SSNVS allows registered employers or their third party representatives to verify the names and SSN's of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSN's per screen with immediate results or upload a file with up to 250,000 names and SSN's with

the results available the next business day. Since its implementation, 3,600 businesses have used SSNVS to verify 46.9 million SSNs.

The first phase of the Earnings Alert Project, which addresses the earnings problems prospectively, was implemented in July 2006. This phase is designed to automate the earnings review of Internet claims and extend the automation of the review criteria to all initial claims. Past analysis has shown that the Internet review criteria is effective in identifying earnings record inaccuracies and will effectively identify the source of the inconsistency. In addition, the revisions will eliminate an estimated 50 percent of the nonproductive alert reviews.

The new Earnings Alert System also includes several new military service alerts. Prior SSA reviews have shown that the highest proportion of military service reporting errors occurs because of failure to develop for all periods of military service and/or resolve conflicting military service information. This usually involves military service for the 1957 through 1967 period. Errors often occur because the adjudicator fails to develop for active duty training for reserve service.

WC: SSA is giving high priority to correcting workers' compensation (WC) errors. Some people who receive Social Security disability benefits also receive Federal or State workers' compensation payments. When a person is eligible to receive both types of payments, State law may impose a limit on the total amount the person can receive each month. When that occurs, SSA withholds a portion of the person's Social Security disability payments. Since there is no automated verification of WC payments, SSA relies mainly on individual disclosure of WC payments and changes. Since these reports are typically not timely, if given at all, some of these individuals have been paid incorrect amounts of Social Security disability benefits while others had been underpaid since their WC had stopped and their SSA benefit amount had not been increased accordingly. Errors related to improper imposition of WC offset provisions is the second leading causes of OASDI underpayment errors for the last five fiscal years.

SSA's Operations staff reworked more than 112,000 cases in FY 2002 where the beneficiary was in WC offset at the time the processing problems with WC were identified. In FY 2003, the cleanup effort was expanded to include reworking more than 200,000 WC cases where WC offset was removed to ensure correct handling of these cases. These cases were to be worked over a 5-year period starting in FY 2003 and ending in FY 2007. However, in FY 2005, SSA placed a hold on the reworking of the cases where there is no longer an offset being imposed and instead is reviewing 14,000 of the original cases reworked in FY 2002 to use new interactive computation facilities. This review is to ensure these cases were computed correctly and documented properly. Information from this review will be used to establish any prospective development and processing changes. We are also continuing to pursue possible data exchange agreements with entities that have WC data available, such as the Centers for Medicare and Medicaid Services and other organizations that work with private and State insurance companies.

A recent OIG audit concluded that SSA's modernized claims software provided a number of enhancements to streamline the processing of Workers' Compensation claims by SSA staff. Release 3 of the modernized software accurately computed and processed the beneficiaries' offset amounts for each case tested. Our goal is to automate as much of the WC workload process as possible.

Dual Entitlement: SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients, current and former, who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SSI benefits. To keep this from happening in the future, we have rewritten computer programs and retrained technical employees to identify eligibility as it occurs. Enhancements will be implemented in November 2006 and throughout FY 2007.

Improper Payments in the SSI program

To better track the causes of improper payments in the SSI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years, (FY's 2001-2005), a total of over \$179 billion was paid to SSI recipients. Of that total, \$11.5 billion was overpaid,

representing 6.5 percent of outlays. Underpayments during this same period totaled \$2.3 billion, the equivalent of 1.3 percent of outlays.

Major Causes of SSI Improper Payments

For the 5-year period, FY 2001-2005, the major causes of improper overpayments in the SSI program (a more detailed description is below under the Corrective Actions section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

Each of these causes individually exceeded the sum of the next three overpayment categories.

The major causes of underpayments in the SSI program for the same period (followed by a detailed description under the Corrective Actions section) were:

- Wages
- Living Arrangements
- In-kind Support and Maintenance

Corrective Actions

For the entire 5-year period, 75 percent of the overpayment improper payments were caused by a change that occurred independent of an initial claim or redetermination.

Financial Accounts: For the 5-year period, financial accounts were the leading cause of overpayment improper payments, accounting for about 19 percent of the total. For FY 2005, financial account overpayment deficiencies project to \$503 million.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For each year in the 5-year period, the primary cause of these errors was the failure of the recipient or representative payee to advise the Agency of the existence of a financial account or an increase in the amount of an account.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments developed after the Agency had been in contact with the recipient. Over the 5-year period, 80 percent of the improper payments in this category fit this description.

The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In an effort to reduce the amount of overpayments caused by financial accounts, SSA promulgated final regulations in FY 2004 that exercised the Commissioner's authority to require the authorization that will set the stage to allow the Agency to query financial institutions electronically. In February 2004, SSA began a proof of concept to test the feasibility of financial institutions accepting electronic bank account verification requests. The proof of concept demonstrated the financial community's support of this process. In addition, verification requests were returned quickly to the Agency which allows immediate continuation of the SSI application or redetermination.

In February 2005, Social Security initiated a study to ascertain the characteristics of cases that are likely to have unreported resources. The data gathering of this study concluded in FY 2005. A report of findings from the Access to Financial Institutions pilot study is expected to be released by November 2006. Using the findings from a sample of initial claims and redeterminations processed by New York and New Jersey field offices, the report presents an estimate of the potential benefits and costs associated with a full national roll out of the Accuity's automated financial account verification system. This study has established the value of verifying accounts with financial

institutions. However, in the current budget climate the needed resources are not available to support the work that would flow from a national rollout. The report will recommend development of an extended test in another geographic location on a portion of the SSI workload. This extended test would need to be designed to be achievable within expected budgetary levels.

Wages: Wages have been the leading deficiency type for overpayment improper payments in 3 of the last 5 years and the second leading deficiency type over the last 5 combined years. They accounted for about 17 percent of total overpayment improper payments during the 5-year period. The major factor (89 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate timely report of new or increased wages for the recipient or deemor.

In 2006, SSA formed a national workgroup to develop a comprehensive strategy to maximize SSI wage reporting nationwide, while minimizing the resource impact through automation and policy efficiencies. Components of the strategy are expected to include policy changes to support expansion of a dedicated 800 number to report wages, creation of a national resource website for wage reporting, and other innovations.

In a related effort to achieve more timely and accurate reporting of wages, SSA has completed a test to determine the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA has tested whether SSI recipients (or their representatives, parents or spouses, where deemed wages affect benefit payments) would report wages, monthly, using this new technique. The key issues were the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. The results of this test were evaluated and SSA decided to conduct a second pilot to test a more user-friendly knowledge-based authentication process rather than the PIN/password process used in the first pilot. Reporters had difficulty navigating the PIN/password process. Results of the second pilot will determine whether to proceed with implementing wage reporting using touch-tone and voice recognition telephone technology. Timely and accurate reporting on this issue offers the opportunity to prevent substantial amounts of SSI wage overpayments, which accounted for \$416 million in overpayment deficiencies in FY 2005.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. But even these data are at least 4 months old when accessed. In an effort to learn more quickly about unreported work, SSA undertook a pilot match study that explored the feasibility and usefulness of a quarterly match with the "new hires" file from OCSE. The study began in August 2005 and the data collection phase of the study has concluded. A report of findings is expected by November 2006.

Wages have been the leading cause of underpayment improper payments in 4 of the last 5 years, accounting for about 27 percent of total underpayment improper payments during the 5-year period. The major factor (77 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor.

Over the 5-year period, wages earned by deemors accounted for 61 percent of underpayment improper payments and wages earned by recipients accounted for 39 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 81 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed.

For the entire 5-year reporting period, 83 percent of the wage underpayment improper payments were caused by a change that occurred after the last redetermination (70 percent) or after an initial claim (13 percent).

Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

Living Arrangements: Living arrangements were the second leading cause of underpayment improper payments for 4 of the last 5 years, and the leading category in FY 2002. It refers to people who should have been paid based on “living in own household”; e.g., home ownership, rental liability, paying pro rata share of household expenses, but were paid based on another living arrangements. Over the 5 years, this deficiency primarily occurred (78 percent) when the recipient/representative payee failed to provide an accurate timely report showing that the value of the one-third reduction (the reduction factor when a recipient is not paying his or her full share of the household expenses) no longer applied. Overall, recipients and representatives were responsible for the vast majority of underpaid dollars (80 percent) in this category because they initially provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, over one-half of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination. Only 5 percent of the total underpayment improper payments resulted when the recipient changed a contribution after receipt of the first SSI payment.

In-kind Support and Maintenance (ISM): ISM deficiencies were the third leading cause of underpayment error dollars over the last 5 years. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (82 percent). This occurred because recipients/representative payees failed to report changes or made an incomplete/inaccurate report (73 percent) and because field offices inaccurately processed cases (19 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, over one-half of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination.

On February 7, 2005, SSA issued regulations to simplify the SSI exclusions for automobiles and household goods and personal effects, and to simplify the counting of ISM by eliminating clothing from consideration. These changes simplify several SSI rules and make them less cumbersome to administer and easier for the public to understand.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when the Agency is not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

Medical Aspects of the DI and SSI programs

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The actual allowance and denial accuracy rates for FYs 2004 and 2005 are presented in Table 3. These rates are determined by SSA's quality assurance review of initial claims. In compliance with Section 221(a) of the Social Security Act, SSA reviews samples from each State to determine whether the DDS is in compliance with Federal policy and procedural requirements. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, SSA established a combined allowance and denial goal for net accuracy. The goal for FY 2006 is 97 percent. FY 2006 data will be available in January 2007.

Table 3: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2004	FY 2005
Allowance	98.2%	98.0%
Denial	95.4%	95.3%
Combined	96.4%	96.3%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2005, the Actuary has produced estimates that PER saved \$720 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 14:1.

SSA’s budget now includes an extension of the PER review of favorable adult disability decisions to the SSI program. This initiative supports the President’s management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this initiative.

Improper Payments for Administrative Outlays

An evaluation was conducted of SSA’s FY 2005 administrative payments and they were determined not to be susceptible to significant improper payments. In FY 2005, SSA outlaid \$10,201 million to administer the OASI, DI and SSI programs. These costs largely consisted of payroll and benefits but also included payments to State agencies for the DDS.

Risk Assessment

To better facilitate the risk assessment process, SSA segmented administrative payments into several categories. These categories were used to analyze and determine SSA’s vulnerability to improper payments.

**Table 4: FY 2005 Administrative Expenses
(\$ in millions)**

Payroll and Benefits	\$5,138
State DDS	\$1,776
Other Administrative Expenses*	\$3,287
Total Administrative Payments	\$10,201
Notes:	
*Other Administrative Payments includes Travel, Transportation, Rents, Communications & Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land & Structure, Grants, Subsidies, & Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest & Dividends, and Insurance Claims and Indemnities.	

Using OMB guidelines, SSA conducted a risk assessment on each of the categories listed in Table 4 above. The payment categories were reviewed and any identified improper payments were assessed versus the entire payment category. The result of this analysis showed that SSA’s administrative payments were not susceptible to significant improper payments.

Also considered as part of the risk assessment were:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in SSA's administrative payment systems; and
- The strong internal control structure SSA has in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, the Agency determined that SSA's administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

Recovery Audit Program

Section 831 of the Defense Authorization Act for FY 2002 added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of \$500 million in a FY to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that Agencies shall have a cost effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, SSA has established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges; additionally, computer assisted auditing techniques are utilized to identify possible duplicate payments. SSA has a program in place to review utility bills to ensure that we are being charged the proper negotiated energy rates and that the Agency is not being improperly taxed. SSA also has a plan in place to identify, limit and recover improper billings by telecommunication vendors to ensure that we are being billed for the proper number of lines, proper contract rates, proper taxation and accurately billed for long distance service. SSA's in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date and for the same amount to help identify payments which represent a higher risk of being double payments. Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate SSA's existing controls for the prevention, detection, and collection of improper payments. Results from the recovery audit program continue to reinforce our internal control structure, thus demonstrating our commitment to the President's Management Agenda.

Program Scope

The recovery audit program scope included a review of administrative contractor payments for FY 2005 totaling \$1.4 billion. Of that amount, about .01 percent or \$178,199 had been identified and collected. These results further validated SSA's existing controls for prevention, detection and collection of administrative improper payments.

The Agency has elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

**Table 5: FY 2005 Recovery Auditing Results
(\$ in millions)**

Agency Component	Amount subject to Review for FY 2006 Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Identified/Actual Amount Reviewed	Amounts recovered Current Year	Amounts recovered Prior Year(s)
Administrative Expenses	\$1,360	\$96	\$.178	.19%	\$.178	\$.018

Accountability for Improper Payments

In June 2002, SSA released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased overpayment detection and prevention, new measurement strategies, potential changes in SSI policies and Agency accountability. We are extremely pleased that the Government Accountability Office (GAO) removed the SSI program from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA's progress to improve the management of the program. We are continuing our efforts to improve our management of the SSI program across three fronts – improved prevention of overpayments, increased overpayment detection, and increased collection of debt. To achieve these goals, SSA executives are held accountable for meeting the initiatives in the SSI Corrective Action Plan. Progress is monitored at regular meetings with SSA executives.

Agency Information Systems to Reduce Improper Payments

Background

In the SSI Corrective Action Plan discussed above, the Agency has identified a number of information technology (IT) initiatives to meet the 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. The goal for FY 2009 will remain 96 percent. SSA has a formal process to plan and execute IT projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to the Agency's Chief Information Officer (CIO) on areas of Capital Planning and Investment Capital (CPIC). The ITAB is comprised of the CIO, Deputy Commissioner for SSA, all Deputy Commissioners and other executive staff.

As part of the CPIC environment, IT plans outlining Office of Systems IT initiatives are reviewed and approved by the ITAB prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to SSA's capital investment and control process.

IT Strategy

Starting in FY 2005, the "clusters" of IT projects were replaced with Strategic Objective (SO) Portfolios. These SO Portfolios are based on SSA's nine Strategic Objectives as defined in the Agency Strategic Plan. There are also two additional portfolios not corresponding to an Agency Strategic Objective: one for Infrastructure and one for Legislation. The majority of improper payment IT initiatives fall within two SO portfolios: 1) Improper payments; and 2) Manage finances.

Provided the Agency develops the IT initiatives identified to improve preventing, detecting and collecting improper payments and is given the resources to do so, SSA will be in a better position to achieve its goal to have 96 percent SSI payment accuracy by FY 2008. The President's FY 2007 budget for SSA is \$9,496 billion for Limitation on Administrative Expenses (LAE), an increase of \$387 million in discretionary budget authority over SSA's FY 2006

appropriation. With the President's FY 2007 budget, SSA will continue to improve the disability program through automation and process improvements; maintain service in the face of growing workloads; increase SSA's overall productivity; and improve administration of the nation's retirement, survivors, and disability programs. The budget supports SSA's efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include investments in continuing disability reviews and SSI non-disability redeterminations, as well as the use of computer matches to identify and prevent overpayments. Through these activities, SSA can ensure the ongoing stewardship of our programs."

Statutory and Regulatory Barriers to Reducing Improper Payments

SSA continuously develops legislative proposals to improve administration of the OASI, DI and SSI programs. For example, SSA will be asking Congress to consider amendments to the OASI, DI and SSI programs in support of the President's FY 2007 budget. One of the proposals would simplify administration of the DI program by modifying the rules for computing the reduction under the workers' compensation (WC) offset provision. (Receipt of workers' compensation payments often results in a reduction in the benefits payable to a disabled worker and the worker's entitled family members.)

WC Offset Simplification Proposal: Simplifying the DI program reduces improper payments. One of the proposals in the President's budget would change the amount of the offset to equal a flat percentage (37 percent) of the Social Security DI benefits payable to the disabled worker and the worker's family. In addition, the offset period would be limited to no longer than 5 years from the worker's first month of entitlement to disability benefits.

The current law WC offset provision is a complex aspect of the Social Security DI program, is difficult to administer, and is error-prone in terms of payment accuracy. The provision requires SSA to 1) base the initial offset on an amount equal to 80 percent of the worker's predisability earnings, 2) continually monitor the amount of the ongoing WC payment, 3) apply special rules when adding annual COLAs to the benefit payable and 4) redetermine every three years the amount of the predisability earnings used in the offset. Due to the complexity of the provision, SSA has devoted substantial staff time to reworking cases in which errors were made. This proposal would simplify the administration of the WC offset provision, thus allowing the Social Security Administration to improve its use of administrative resources. These resources could be applied to other pressing workloads at SSA—e.g., the backlog for disability hearings.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2006, SSA collected \$2.3 billion in program debt. The Agency's debt collections are achieved in a variety of ways that have been developed over the years. Collection techniques include SSA's internal methods such as benefit withholding and billing and follow-up. In addition, the Agency uses external collection techniques authorized by the Debt Collection Improvement Act (DCIA) of 1996 for OASDI debts and the Foster Care Independence Act (FCIA) of 1999 for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting and administrative wage garnishment (AWG).

SSA's strategy for improving its debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, SSA has worked steadily over the years to build the strong debt collection program it now employs. Although the Agency has a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund, it launched an expansion of debt collection tools in the early 1990's that continues today. Taking advantage of the legal authorities granted to it in the Omnibus Budget Reconciliation Act of 1990 (for OASDI debts), and the Deficit Reduction Act of 1984 (for SSI debts), SSA began its expansion with the implementation of tax refund offset (TRO) in 1992. The Agency enhanced its TRO program twice in the 1990's and then merged it with TOP in 1998. To date, SSA has collected over \$1.1 billion in delinquent debt via TRO/TOP.

In 1998, SSA began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, the Agency also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over \$348 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

After receiving the authority to use mandatory cross program recovery, or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, SSA developed and implemented this internal collection method. Since the year 2002, the Agency has collected over \$274.3 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients.

SSA received additional authority for cross-program recovery in the Social Security Protection Act of 2004. SSA is now able to use mandatory cross-program recovery in situations where cross-program recovery was not previously permitted. SSA started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments. SSA intends to expand the cross-program recovery program to other situations in the future.

SSA also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each pay day from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. The first garnishment orders were issued in April 2005 to the employers of OASI, DI and SSI debtors who became delinquent in 2005. SSA expanded its AWG program to all existing delinquent debtors in August 2006.

In November 2005, the Agency also implemented a new system called the Non-Entitled Debtors program, also authorized by the FCIA. This automated system will enable SSA to collect debts owed by people who do not have a master record with the Agency. Debtors such as representative payees who receive overpayments after the death of the beneficiary will be controlled by this system. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits.

Federal Salary Offset (FSO), authorized by the DCIA for OASDI debts and the FCIA for SSI debts, was also implemented in FY 2006. FSO is a delinquent debt collection tool that is. It will be used to collect delinquent overpayments owed by Federal employees in most agencies, including employees who work for SSA.

In addition to the preceding improvements, SSA implemented other debt collection techniques of major import. One such improvement is called “Netting,” an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, SSA has prevented over \$378 million in overpayments computed and underpayments paid through September 2006.

SSA also helped other Federal agencies with debt collection by collaborating with Treasury’s Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the Taxpayer Relief Act of 1997, collects delinquent tax debts from Social Security benefits.

Continued improvement in the Agency’s debt collection program is also underway. The future will see the completion of several remaining debt collection tools. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value. For additional information, please refer to the Debt Management narrative in the *Other Statutory Information* section of the report.

Glossary of Acronyms

A

ACAPS	Appeals Council Automated Processing System
ACSI	American Customer Satisfaction Index
ADA	Agency Decisional Accuracy
AFGE	American Federation of Government Employees
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASA	Average Speed of Answer
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

B

BA	Benefit Authorizer
BPAO	Benefits Planning, Assistance and Outreach

C

CA	Claims Authorizer
CAR	Cost Analysis Report
CAS	Cost Analysis System
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CDREO	Continuing Disability Review Enforcement Operation
CFO	Chief Financial Officer
CIO	Chief Information Officer
CMS	Centers for Medicare and Medicaid Services
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPIC	Capital Planning and Investment Capital
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPMS	Case Processing Management System
CR	Claims Representative
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DCF	Disability Control File
DCIA	Debt Collection Improvement Act
DDS	Disability Determination Services
DDSO	Division of Direct Service Operations
DHHS	Department of Health and Human Services
DHS	Department of Homeland Security
DI	Disability Insurance
DIODS	Disability Operational Data Store
DMS	Debt Management System
DOL	Department of Labor
DOS	Department of State
DOWR	District Office Workload Report
DQB	Disability Quality Branch
DRB	Decision Review Board
DSI	Disability Service Improvement

E

EAB	Enumeration-at-Birth
EaE	Enumeration-at-Entry
eDIB	Electronic Disability
EDR	Electronic Death Registration
EDR	Electronic Death Reporting
EIC	Executive Internal Control
EMIS	Executive and Management Information System
EMODS	Earnings Management Information Operational Data Store
e-RZ	Electronic Redetermination
ESF	Earnings Suspense File
ESLO	Employer Service Liaison Officer
ETS	E-Gov Travel Service
EVS	Employee Verification System

F

FASAB	Federal Accounting Standards Advisory Board
FCIA	Foster Care Independence Act
FECA	Federal Employees' Compensation Act
FedRO	Federal Reviewing Official
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FICA/SECA	Federal Insurance Contributions/Self Employment Contributions Act
FISMA	Federal Information Security Management Act

FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FOSSNER	Field Office Social Security Number Enumeration Report
FSO	Federal Salary Offset
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPRA	Government Performance and Results Act of 1993
GS	General Schedule
GSA	General Services Administration

H

HHS	Department of Health and Human Services
HI/SMI	Health Insurance/Supplemental Medical Insurance
HIV/SMI	Human Immunodeficiency Virus/Auto Immune Disorders

I

iCDD	Internet Change of Direct Deposit
ICTU	Immediate Claims Taking Unit
IDA	Independence Day Assessment
iMRC	Internet Medicare Replacement Card
IPIA	Improper Payments Information Act of 2002
IRIB	Internet Retirement Insurance Benefits
IRS	Internal Revenue Service
IRTPA	Intelligence Reform and Terrorism Prevention Act
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board
ITOA	Information Technology Operations Assurance
IWMS	Integrated Work Measurement System
IWMS/DOWR	Integrated Work Measurement System/District Office Workload Report

K

KPI	Key Performance Indicator
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L

LAE	Limitation on Administrative Expenses
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M

MAMPSC	Mid-America Program Service Center
MAR	Monthly Activity Reports
MCAS	Managerial Cost Accountability System
MD&A	Management's Discussion and Analysis
MIICR	Management Information Initial Claims Record

N

NDDSS	National Disability Determination Services System
NED	Non-Entitled Debtors

O

OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCO	Office of Central Operations
OCSE	Office of Child Support Enforcement
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
OIO	Office of International Operations
OMB	Office of Management and Budget
OMVE	Office of Medical and Vocational Expertise
O/P	Overpayment
OQP	Office of Quality Performance
OTR	On-The-Record

P

PABSS	Protection and Advocacy for Beneficiaries of Social Security
PAR	Performance and Accountability Report
PARR	Payroll Analysis and Recap Report
PART	Program Assessment Rating Tool
PE	Post-Eligibility
PER	Pre-Effectuation Review
PMA	President's Management Agenda
PP&E	Property, Plant and Equipment
PPWY	Production Per Workyear
PSC	Program Service Center
PTF	Payments to the Social Security Trust Funds
Pub. L. No.	Public Law Number
PwC	PricewaterhouseCoopers LLP

Q

QA	Quality Assurance
QDD	Quick Disability Determination

R

RC	Regional Commissioner
RO	Regional Office
ROAR	Recovery of Overpayments, Accounting and Reporting System
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSDI	Retirement, Survivors and Disability Insurance
RSI	Retirement and Survivors Insurance
RSI	Required Supplementary Information
RZ SDO	Redeterminations Service Delivery Objective

S

SAS 70	Statement of Auditing Standards 70
SBR	Statement of Budgetary Resources
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SF-133	Budget Execution Reports
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SO	Strategic Objective
SOSI	Statement of Social Insurance
SR	Service Representative
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSPA	Social Security Protection Act
SSPP	Standardized Security Profile Project
SSR	Supplemental Security Record
ST&E	Security Testing and Control
SUMS	Social Security Unified Measurement System

T

Title II	Social Security
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program

TRO	Tax Refund Offset
TRO/TOP	Tax Refund Offset/Treasury Offset Program
TSC	Teleservice Center
TSR	Teleservice Representative
TST	Technical Support Technician
TY	Tax Year
U	
U/P	Underpayment
USC	United States Code
USCIS	United States Citizenship and Immigration Services
V	
VERN	Verify Update Earnings Screen
VTC	Video Teleconference
W	
W-2s	Wage and Tax Statements
WC	Workers' Compensation
WIPA	Work Incentives Planning Assistance

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