

SOCIAL SECURITY ADMINISTRATION



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and is designed to provide a high-level overview of the Social Security Administration (SSA). It provides a description of who we are, what we do, and how well we meet the goals that have been set.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. This section also discusses the major programs we administer: the Old-Age Survivors, and Disability Insurance programs (commonly known as Social Security), as well as the Supplemental Security Income program. A brief history on how we evolved and our effect on the Nation's economic security are provided as well as a discussion of our organization.

Next, the *Overview of Our FY 2009 Goals and Results* section provides an overview of our progress in the context of the *Government Performance and Results Act of 1993* (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance. During FY 2009, we used 25 distinct GPRA performance measures to manage and track our progress. The performance measures focus on our most critical challenges and areas in need of improvement. A performance summary of our goals and results is provided in this section. All of the FY 2009 performance measures, their targeted performance and results, as well as a discussion of each measure and historical data may be found in the *Performance Section*. The *Overview of Our FY 2009 Goals and Results* section of the MD&A also includes a discussion on our data quality and provides an overview of procedures in effect to provide reasonable assurance that reported performance information is relevant and reliable.

The *Performance and Accountability Report* would not be complete without providing a summary of the challenges we are addressing, including current and future activities and strategies in place to deal with them. The *Achieving Our Mission* section of the MD&A defines our strategy to address the challenges and priorities we will face over the next 5 years. Also addressed in the *Achieving Our Mission* section are our Program Performance Measures that are used to evaluate the effectiveness of our programs.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. The major sources and uses of our funds, as well as the use of these resources, in terms of both program and function, are explained. As stewards of the Social Security Trust Funds, we include a discussion on the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds and indicate the projections for short-term financing and long-term financing of the OASI and DI Trust Funds.

Finally, the *Systems and Controls* section of the MD&A provides a discussion of the actions we have taken to address our management control responsibilities. The Management Assurances within this section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. Also addressed are the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

# OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION



## SOCIAL SECURITY BENEFITS AMERICA

***Our Mission: Deliver Social Security services that meet the changing needs of the public***

Throughout history, individuals and families have faced the uncertainties brought on by unemployment, illness, death, and old age. In the past, individuals could depend on family members, to the extent that the family had resources to draw upon, as a source of economic security.

However, as our country moved from an agricultural society in the early 1800s to an industrialized society in the 1880s, our economic security changed. Families became dependent on wages, which are threatened by factors such as recessions, layoffs, and failed businesses. As a result, individuals could no longer rely on family for support. The stock market crash of 1929 pushed the country into an economic depression that resulted in mass unemployment. With no means of support, the American public looked to the government to resolve this economic security crisis.

The solution came in the form of the *Social Security Act (Act)*. President Franklin D. Roosevelt signed the *Act* into law in 1935. In 1937, about 53,000 retirees received monthly Social Security benefits. Today, we pay Social Security benefits and Supplemental Security Income (SSI) payments to approximately 60 million individuals each month. Since 1935, the Social Security Administration has moved from an agency that provides old-age benefits and Social Security numbers to an agency that provides a wide-range of benefits and services.

Social Security is one of the key pillars of American society. We administer two major programs: the Old-Age, Survivors, and Disability Insurance (OASDI) program and the Supplemental Security Income (SSI) program. In addition, we assist individuals in applying for food stamps and Medicare, including subsidies for the Medicare Prescription Drug Plan. The number of individuals receiving Social Security benefits more than doubled from 25 million in 1970 to over 52 million in fiscal year (FY) 2009.

In FY 2009, during the current economic downturn in which millions of Americans have quickly found themselves in uncertain financial waters, more Americans have turned to us than ever before. Due to the combined effects of the economic recession and the aging of the baby boomers, applications for retirement and disability benefits have soared.

### How Social Security Benefits America

- ✦ Over 52 million Americans received \$665 billion in Social Security benefits in fiscal year 2009
- ✦ Nearly 7.7 million Americans received \$42 billion in Supplemental Security Income payments in fiscal year 2009
- ✦ 90 percent of the population age 65 and over receive Social Security benefits
- ✦ Among elderly Social Security beneficiaries, 20 percent of married couples and 41 percent of unmarried individuals rely on Social Security for 90 percent or more of their income
- ✦ 69 percent of total benefits paid go to retired workers and their dependents
- ✦ 94 percent of all workers are covered under Social Security
- ✦ 52 percent of the workforce has no private pension coverage

## **Old-Age, Survivors, and Disability Insurance Program**

Americans and their families can count on benefits when they retire or become disabled. The original *Act* provided only retirement benefits to individuals at age 65. The 1939 amendments to the *Act* added two new categories of benefits: dependent benefits and survivor benefits. Dependent benefits are paid to the spouse and minor children of the retired individual. In the event of death, survivor benefits are paid to the deceased's family. Social Security is part of almost every American worker's retirement plan. When individuals work and pay Social Security taxes, they earn "credits" toward Social Security benefits. Most individuals need 40 credits, or 10 years of work, to qualify. These tax revenues are held in the Social Security Trust Funds from which we pay Old-Age, Survivors, and Disability Insurance benefits. Although full retirement age has changed based on an individual's year of birth, the basic benefit structure of the Social Security system has remained essentially unchanged since 1939.

Social Security also pays benefits to individuals who cannot work because they have a medical condition that is expected to last at least one year or result in death. Benefits are only payable for total disability; no benefits are payable for partial or short-term disability. Disability benefits for individuals ages 50-65 and disabled adult children were added to the *Act* in 1956. Eventually, Congress broadened the scope of the Disability Insurance program to include disabled individuals of any age and their dependents. Legislation enacted in 1968 provided benefits to disabled widows and widowers who are at least 50 years old. Once disability benefits begin, they continue for as long as the individual is disabled and either does not work or works but does not earn more than a certain amount per month.

The loss of the family wage earner can be devastating both emotionally and financially. Social Security helps by providing income for the families of workers who die. In fact, 98 of every 100 children receive survivor benefits if a covered parent dies. Social Security pays more benefits to children than any other federal program. For more information about our programs and benefits, please visit our website at <http://www.socialsecurity.gov>.

## **Supplemental Security Income Program**

The original *Act* introduced programs for aged and blind individuals with low income. Changes to the *Act* in 1950 included eligibility for disabled individuals with low income. State and local governments first administered these programs, known as the "adult categories" of welfare, with partial Federal funding. The 1972 *Social Security Amendments* converted these State and local programs to the Federal SSI program. The SSI program is a needs-based program for elderly individuals, as well as blind or disabled adults and children, who have limited income and resources. The SSI program provides money to meet basic needs for food, clothing, and shelter.

Elderly individuals may qualify for SSI if they are age 65 or older and have limited income and resources. Blind or disabled adults applying for SSI must meet the same disability requirements as under the Disability Insurance program, in addition to meeting limited income and resource requirements. In order for children to receive SSI, they must meet different disability requirements than adults. You can find more information about SSI for children at <http://www.socialsecurity.gov/ssi/text-child-ussi.htm>.

Unlike the Social Security program, Social Security taxes do not finance SSI payments. Instead, general revenues finance all SSI payments and administrative costs. Please refer to our website at [http://www.socialsecurity.gov/pgm/links\\_ssi.htm](http://www.socialsecurity.gov/pgm/links_ssi.htm) for eligibility requirements and other information about the SSI program.

## How Do We Serve America?

In FY 2009, we paid approximately 60 million individuals over \$700 billion in Social Security benefits and SSI payments, and served the public by processing:

- ☑ 17.5 million Social Security cards
- ☑ 1.3 billion Social Security number verifications
- ☑ 262 million earnings items posted to workers' records
- ☑ 67 million transactions via our National 800 Number
- ☑ 45 million visitors to our field offices
- ☑ 4.7 million retirement, survivor, and Medicare applications
- ☑ 2.8 million disability applications
- ☑ 321,000 SSI aged applications
- ☑ 244,000 million Medicare Prescription Drug Plan subsidy applications
- ☑ 1.3 million representative payee accountings and changes
- ☑ 151 million *Social Security Statements*
- ☑ 1.7 million SSI redeterminations
- ☑ 2.1 million overpayment actions
- ☑ 598,000 disability reconsiderations of denied applications
- ☑ 660,842 hearings
- ☑ 89,066 Appeals Council reviews
- ☑ 317,000 medical continuing disability reviews
- ☑ 30 million status changes (e.g., address, direct deposit, wage reports)
- ☑ 83,000 Food Stamp applications



**Figure 1 : President Roosevelt signing the Social Security Act of 1935 in the Cabinet Room of the White House**

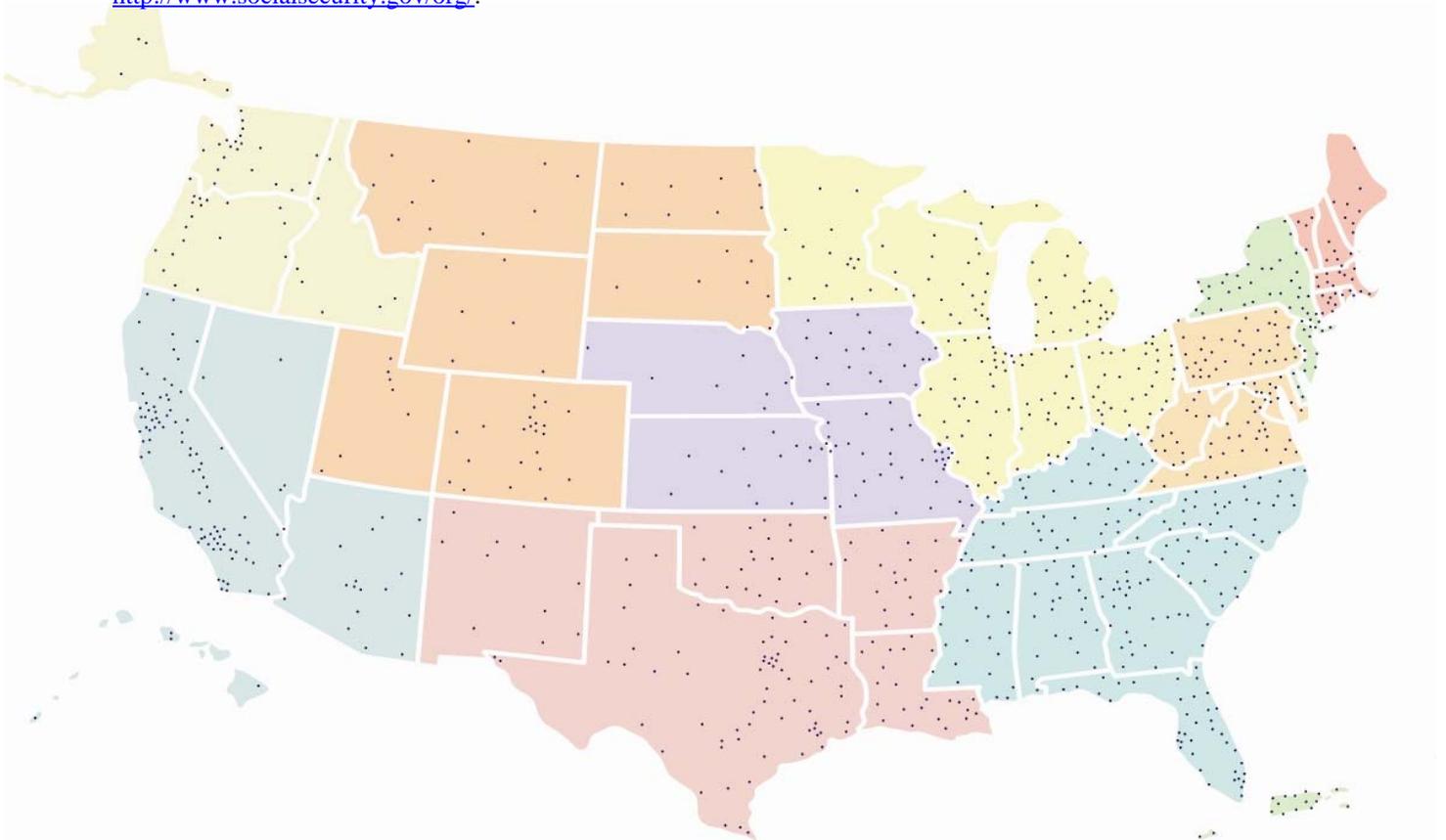
## OUR ORGANIZATION

The Social Security Administration touches the lives of virtually every American, as well as many people living abroad. We administer the various statutes and programs that make up the largest social insurance program in the world.

Our current organization is comprised of almost 65,000 employees. We deliver services through a nationwide network of over 1,400 offices that includes regional offices, field offices, card centers, teleservice centers, processing centers, hearing offices, the Appeals Council, and our headquarters located in Baltimore, Maryland. We also have a presence in U.S. embassies around the globe.

Our field offices and card centers are the primary points for face-to-face contact with the public. Teleservice centers offer National 800 Number telephone service (1-800-772-1213). Processing centers perform a wide-range of workloads and handle 800 Number calls. The Appeals Council and administrative law judges in our hearing offices decide appeals of Social Security claims and SSI applications. Most of our nearly 65,000 employees deliver direct service to the public or support the services provided by these front-line workers. Additionally, our disability programs depend on the work of over 16,500 individuals employed by our State and territorial partners, the Disability Determination Services.

For the public, we are the face of the government, and the rich diversity of our employees mirrors the public we serve. A chart of our current organizational structure is available on our website <http://www.socialsecurity.gov/org/ssachart.pdf>. The functions each component performs are described at <http://www.socialsecurity.gov/org/>.



**Figure 2 : The dots on this map of the United States represent a Social Security Field Office, Card Center, Teleservice Center, Processing Center, or Hearing Office.**

# OVERVIEW OF OUR FY 2009 GOALS AND RESULTS

## SUMMARY OF FY 2009 PERFORMANCE

The *Government Performance and Results Act of 1993* requires all federal agencies to issue:

- A 5-year *Agency Strategic Plan* that includes a mission statement and outlines long-term goals and objectives. We issued our most recent *Agency Strategic Plan for 2008-2013* on September 24, 2008 (<http://www.socialsecurity.gov/asp/>).
- An *Annual Performance Plan* which provides annual performance commitments toward achieving the goals and objectives presented in the *Agency Strategic Plan*; and
- An *Annual Performance Report*, which is included in this *Performance and Accountability Report*, that evaluates the agency's progress toward achieving those performance commitments.

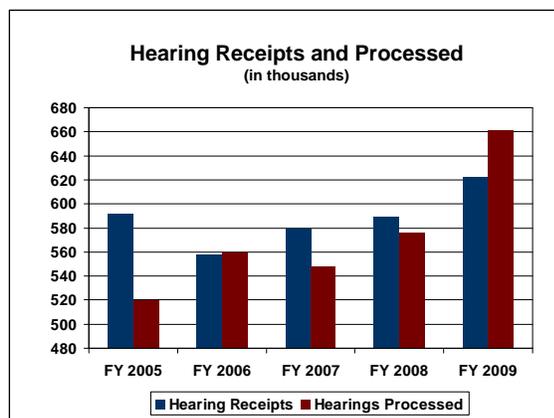
We are committed to providing superior service to the American public despite increased workloads and constrained resources. In FY 2009, we made considerable progress to improve our services across the agency. We met our targeted goal for 21 of our 22 FY 2009 performance measures for which end-of-year data are available. Data for three of our remaining performance measures will not be available until later in FY 2010. We will report our performance on these three measures in the *FY 2010 Performance and Accountability Report*.

Our *Agency Strategic Plan*, on which this performance report is based, focused on the following four strategic goals:

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

**Results: Met the target for 6 of 6 measures**

The elimination of the hearings backlog remains the agency's top priority, and we are on track to reach the optimal level (466,000) of pending hearings by FY 2013. This year we turned the corner on the hearings backlog and reduced both the number of hearings pending as well as the average time to receive a hearing decision. With the support of Congress, and with the additional funding we received in FY 2009, we hired 147 administrative law



judges and 850 support staff for our hearing offices, and opened three new National Hearing Centers (Albuquerque, New Mexico; Chicago, Illinois; and Baltimore, Maryland) to help process workloads for hearing offices with the highest number of cases pending. We also established aggressive plans to open 14 new hearing offices and three new satellite offices in FY 2010. By the end of FY 2009, we processed 85,000 more hearings than in FY 2008, a 15-percent increase. Our average processing time was 491 days at the end of the fiscal year, compared to 514 days in FY 2008. We continued to work down our oldest cases so that we could provide a hearing decision to individuals who have waited the longest. In FY 2008, we virtually eliminated all hearing cases pending at least 900 days by the end of that fiscal year.

For FY 2009, we raised the bar and set a goal to eliminate 166,838 hearing cases pending at least 850 days by the end of the fiscal year. We met this goal and for FY 2010, we will focus on eliminating cases over 825 days old.

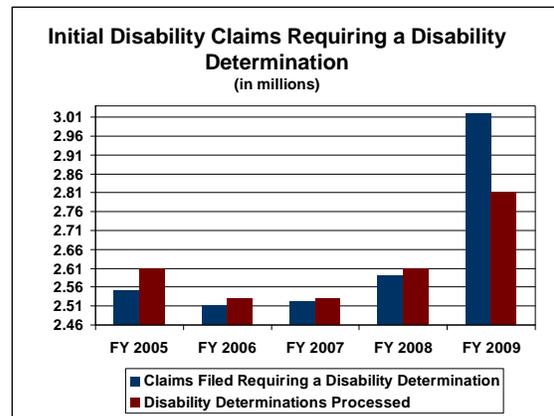
In addition to adding new staff and resources in our hearing offices, we continued to make the hearing process more efficient. For example, we expanded the Senior Attorney Adjudicator program, in which our most experienced attorneys are authorized to issue fully favorable decisions in certain cases without the need to conduct an actual hearing. These decisions, referred to as “on-the-record” decisions, bring eligible individuals onto the disability rolls more quickly than if they had to wait for a hearing. We also continued to expand the availability and use of video hearings for the convenience of individuals who have filed a request for a hearing. Video hearings save time and money for all parties by minimizing travel to hearing sites. In FY 2009, we conducted 86,320 video hearings, an increase of about 55 percent from FY 2008. In addition, we developed a standardized electronic business process that incorporates the most efficient and effective methods for electronic case processing. In FY 2009, we rolled out and provided training on the electronic business process in 30 hearing offices. We plan to continue the roll out to all hearing offices in FY 2010.

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

***Results: Met the target for 5 of 5 performance measures***

In FY 2009, we received more than 3 million initial disability claims, over 431,000 more than we received in FY 2008. In FY 2010, we expect this number to peak at over 3.3 million disability claims. Higher receipts will contribute to an increase in claims pending. At the end of FY 2009, we had 40 percent more initial disability claims pending (779,854) than at the end of FY 2008 (556,670). This rapid rise in the pending level, which we expect to exceed 1 million in FY 2010, is unacceptable. We are committed to returning, by FY 2013, to our pre-economic downturn pending level of 525,000 claims.

It will require adequate resources and hard work from all employees to achieve this goal. In FY 2009, we developed a multi-year strategy to address the growth in our initial disability claims workload and the corresponding increase in pending work in the state and territorial Disability Determination Services to help us process these claims. Our strategy includes additional hiring and overtime in the Disability Determination Services, as well as policy simplifications that will optimize productivity. We began implementing this strategy by maximizing our hiring efforts in FY 2009, which included approximately 2,600 Disability Determination Services employees. These additional hires helped us to process over 200,000 more disability claims compared to FY 2008.



In addition to hiring more employees and processing more claims, we also expedited disability decisions for the most severely disabled individuals. This year, through our fast-track processes, *Quick Disability Determination* and *Compassionate Allowances*, we approved benefits for over 90,000 Americans with severe disabilities in a matter of days. As a result of improvements to our computer modeling system, we achieved our FY 2009 target of identifying 3.8 percent of initial disability claims for our fast-tracking processes. Also, in FY 2009, we conducted two *Compassionate Allowance* outreach hearings on the topics of brain injuries and stroke, and early-onset Alzheimer’s disease and related dementias. We are gaining valuable information from these hearings that will allow us to include more diseases and impairments to the *Compassionate Allowances* list.

Furthermore, we are continuing to improve our *Ticket to Work* program. Under this program, we issue *Tickets* to eligible disabled individuals who, in turn, may choose to assign their *Tickets* to an Employment Network to obtain employment services, vocational rehabilitation services, or other support services. In 2008, we implemented new regulations revising the *Ticket to Work* program to provide more incentives and to increase participation.

*Ticket* assignments are up almost 160 percent over the same period a year ago. As of July 2009, nearly 1 year after the new regulation became effective, almost 270,000 individuals with *Tickets* have either assigned their *Tickets* to an Employment Network or are receiving services from a vocational rehabilitation agency.

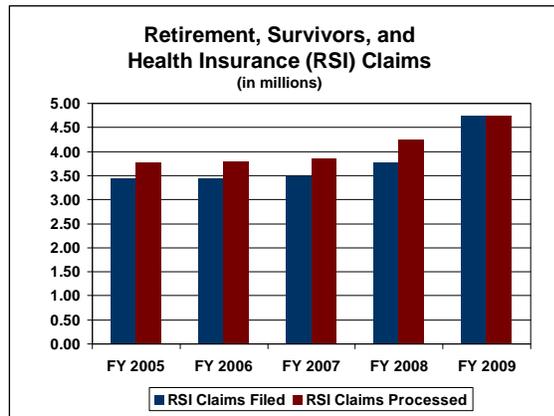
Finally, we continued to look for ways we can provide better service to a very important group of Americans who risk their lives for us everyday – members of the military. Through national and local efforts at major medical facilities, we have increased outreach to help wounded warriors learn about and apply for disability benefits under Social Security. As a result, more wounded warriors are applying for benefits, and we are expediting their claims.

**Strategic Goal 3: Improve Our Retiree and Other Core Services**

**Results: Met the target for 4 of 6 performance measures (data unavailable for one measure)**

With the additional funding provided by Congress, we added approximately 1,400 additional employees in our field offices, card centers, and processing centers, including about 260 additional employees in our National 800 Number teleservice centers. In addition, we hired 950 employees to replace those who retired or left the agency. We are pleased to report that our National 800 Number service improved. Wait times currently average 245 seconds, down from 326 seconds in FY 2008, and the average busy rate is 8 percent, down from 10 percent last fiscal year. We continued to use new technologies that helped us forecast call volumes, anticipate staffing needs, and better distribute incoming calls across the network. These technologies allowed us to answer calls and connect callers who wished to speak to an agent as quickly as possible, such as offering speech recognition that allows callers to speak their request into an interactive voice-prompt system, thereby reducing the time callers spend navigating through menu prompts and touch-tone commands.

To meet the needs of baby boomers, we continued developing a wide range of online and automated services. In



December 2008, we launched our new improved online retirement application, the *iClaim*, and it has generated tremendous interest from the public. The *iClaim* won awards from a variety of outside entities and has been instrumental in helping us keep up with an increase of more than 500,000 retirement, survivor, and Medicare claims in FY 2009 compared to FY 2008. We received our two millionth online retirement application in early June due, in large part, to our outreach efforts and new, quick, and easy-to-use *iClaim*. This achievement is especially noteworthy since it took us more than 7 years to receive the first million online retirement applications. We continue to improve and add to our Internet services; for example, our *Retirement Estimator* will be available in Spanish. We believe our online services

are not only essential to how we do business, but also provide another option for service for all Americans.

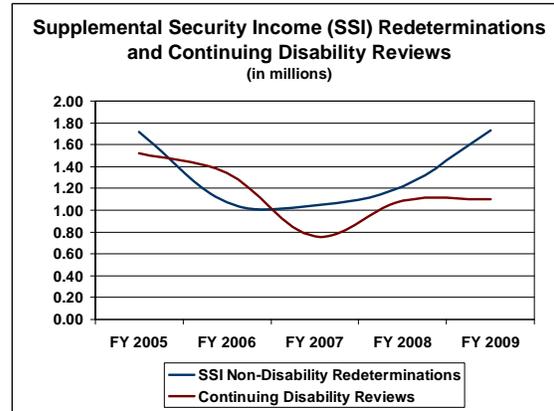
Finally, we made significant progress with our second data support center, which is intended to back up our primary data center in the event of a disaster. Since we took possession of the building in January 2009, we are ahead of schedule in integrating this center into our infrastructure and business processes. Two data centers are vital to the security of the data we keep on nearly every American, and the additional center expanded our capacity to more efficiently function in an electronic business environment.

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

**Results: Met the target for 6 of 8 performance measures (data unavailable for two measures)**

We are committed to sound management practices and take pride in our ability to protect and carefully manage the resources, assets, and programs entrusted to us. In FY 2009, two of our most effective and successful stewardship tools continued to be SSI non-disability redeterminations and medical continuing disability reviews.

Both ensure that individuals receiving benefits remain entitled to them and verify that payments made are in the correct amount. Moreover, continuing disability reviews produced approximately \$10 in program savings for every \$1 spent to conduct the reviews. SSI redeterminations saved approximately \$7 for every \$1 spent. Unfortunately, we scaled back the number of redeterminations and continuing disability reviews conducted in recent years due to budget constraints and increases in our other critical workloads. However, with additional funding received in FYs 2008 and 2009, we increased our program integrity efforts. In FY 2009, we processed over 1,730,000 SSI redeterminations and over 1,101,000 continuing disability reviews.



In addition to our program stewardship, we take pride in our ability to protect and manage the other resources and assets entrusted to us. For example, we maintained our commitment to sound environmental practices. The Social Security Administration has been environmentally responsible for many years. All of our computers are silver-rated or better using the Electronic Equipment Product Environmental Assessment Tool. We donated, sold, or recycled all of the agency's obsolete electronic equipment. We continued to reduce our carbon footprint by using environmentally sensitive practices as we conducted major renovations or upgrades to agency-owned or leased buildings. In FY 2009, our Southeastern Payment Center in Birmingham, Alabama competed with 224 other regional winners for the national McGraw-Hill Construction *Best of the Best Award*. The Southeastern Payment Center's "green" design helped us win the *Best of the Best Award* in the government category. The award recognizes construction and design excellence in addition to workmanship and contribution to the community. Additional information on the award can be found at *Engineering News-Record's* website, [http://enr.construction.com/toplists/best\\_of\\_awards/2009/0302-BestoftheBest-2.ASP](http://enr.construction.com/toplists/best_of_awards/2009/0302-BestoftheBest-2.ASP). In addition, we continued to reduce energy use in our facilities by contracting for renewable energy projects and energy audits.

In FY 2009, we also established an Environmental Workgroup to meet the goals of *Executive Order 13423, "Strengthening Federal Environmental, Energy, and Transportation Management."* This workgroup has been instrumental in developing and formalizing our commitment to a sustainable environment. To date, we have authored an *Electronics Stewardship Plan* and started development of a *Green Purchasing Plan*, a *Sustainable Building Plan*, and an *Environmental Management System*.

**Our Responsibilities under the American Recovery and Reinvestment Act of 2009**

President Obama signed the *American Recovery and Reinvestment Act (Recovery Act)* into law on February 17, 2009. It was an unprecedented effort to jumpstart our economy, create or save millions of jobs, and began addressing long-neglected challenges so our country can thrive in the 21st century.

We received over \$1 billion in funding under the *Recovery Act*. This funding included \$500 million to tackle our retirement and disability workloads; \$90 million to administer \$250 economic recovery payments; and \$500 million to construct and partially equip a new data center to replace our aging National Computer Center. These substantial investments are helping us address the dramatically increasing service demands caused by the combination of a weakened economy and increased retirement and disability applications. Because of the uniqueness of this supplemental funding, we describe below our FY 2009 progress in meeting our *Recovery Act* responsibilities:

- \$500 Million to Tackle our Retirement and Disability Workloads:** We used a significant portion of this funding to hire and train over 2,400 employees in our field offices, card centers, processing centers, hearing offices, and Disability Determination Services, and to provide additional overtime to process critical workloads. With our FY 2009 appropriation and the *Recovery Act* funding, we processed over 500,000 more retirement claims, 200,000 more disability claims, and more than 85,000 hearings this fiscal year than in FY 2008. Also, as a Federal Government leader in Health Information Technology, we have taken the first steps to contract

with healthcare providers and networks that will provide us with electronic health records that will improve the speed and accuracy of our disability determination process.

- **\$90 Million to Administer Economic Recovery Payment:** We played a critical role in issuing the \$250 economic recovery payments to almost 53 million eligible individuals receiving Social Security benefits and SSI payments. These economic recovery payments injected more than \$13 billion into the economy. We facilitated the issuance of these payments in record time, quickly getting them into the hands of the people who needed them the most.
- **\$500 Million to Construct and Partially Equip a New Data Center to Replace Our Aging National Computer Center:** Our National Computer Center houses critical computer operations essential to prompt and accurate payment of benefits and stores data necessary to provide service to all Americans. Because the National Computer Center is over 30 years old, it will soon be incapable of supporting the growing demands of our business processes. In FY 2009, we began planning for a new facility that will be built and operational when our current National Computer Center is near the end of its functional life. We worked closely with the General Services Administration on all aspects of pre-planning. This included establishing criteria for the new data center; starting the process to select a site; developing a detailed construction timeline; and beginning to create a comprehensive program of requirements for the new facility.
- **We report weekly on the status of *Recovery Act* implementation by program, including major actions taken to date and major actions planned for the future.** We developed an overall agency-level plan and three program-specific plans for use of *Recovery Act* funds. Our *Recovery Act* website is located at <http://www.socialsecurity.gov/recovery/>.

This *Performance and Accountability Report* details how the funding that Congress provided is making a difference to Americans all across the nation. Our performance in FY 2009 demonstrated that we are a sound investment. On the following pages, we provide our FY 2009 performance results.



**Figure 3: Postmen in New York City starting out in November 1936 to distribute more than 3,000,000 applications for Social Security numbers.**

## PERFORMANCE SUMMARY OF GOALS AND RESULTS

The following tables provide a brief overview of our performance in all 25 FY 2009 performance measures using the following key. We listed the measures based on the goals and objectives they support in our *Strategic Plan for Fiscal Years 2008 – 2013* and our *Annual Performance Plan for Fiscal Year 2010 and Revised Final Plan for FY 2009*.

Key	
Target met or exceeded	
Target not met	
To be determined-final FY 2009 data not available	TBD
<b>PPM</b> - Denotes each of the Agency's <i>Government Performance and Results Act</i> performance measures which were also Program Performance Measures. See page 71 for more information on Program Performance Measures (PPM).	

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence					
Strategic Objective 1.1: Increase our capacity to hear and decide cases					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
1.1a	Process the budgeted number of hearings	647,000	660,842		47
Strategic Objective 1.2: Improve our workload management practices throughout the hearing process					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
1.2a	Achieve the target for number of hearings pending	755,000	722,822		48
1.2b	Achieve the target to eliminate the oldest hearings pending	Less than 1% of hearings pending 850 days or older	228 of 166,838 cases remained pending (.14%)		49
1.2c <b>PPM</b>	Achieve the budgeted goal for average processing time in days for hearings	516 days	491 days		50

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence					
Strategic Objective 1.2: Improve our workload management practices throughout the hearing process					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
1.2d	Achieve the target to eliminate the oldest Appeals Council cases pending	Less than 1% of Appeals Council cases pending 750 days	10 of 12,184 cases remained pending (.08%)	↑	51
1.2e	Achieve the target for average processing time of Appeals Council decisions	265 days	261 days	↑	51

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process					
Strategic Objective 2.1: Fast-track cases that obviously meet our disability standards					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
2.1a	Achieve the target percentage of initial disability claims identified as a Quick Disability Determination or a <i>Compassionate Allowance</i>	3.8%	3.8%	↑	52
2.1b	Process the budgeted number of initial disability claims	2,637,000	2,812,918	↑	53
2.1c PPM	Minimize average processing time in days for initial disability claims to provide timely decisions	129 days	101 days	↑	54
Strategic Objective 2.2: Make it easier and faster to file for disability benefits online					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
2.2a	Achieve the target percentage of initial disability claims filed online	18%	21%	↑	55
Strategic Objective 2.3: Regularly update our disability policies and procedures					
Performance Indicator		FY 2009 Target	FY 2009 Actual	Target Achieved?	See Page #
2.3a	Update the medical <i>Listings of Impairments</i>	Develop and submit at least 3 regulatory actions or <i>Social Security Rulings</i>	Completed	↑	56

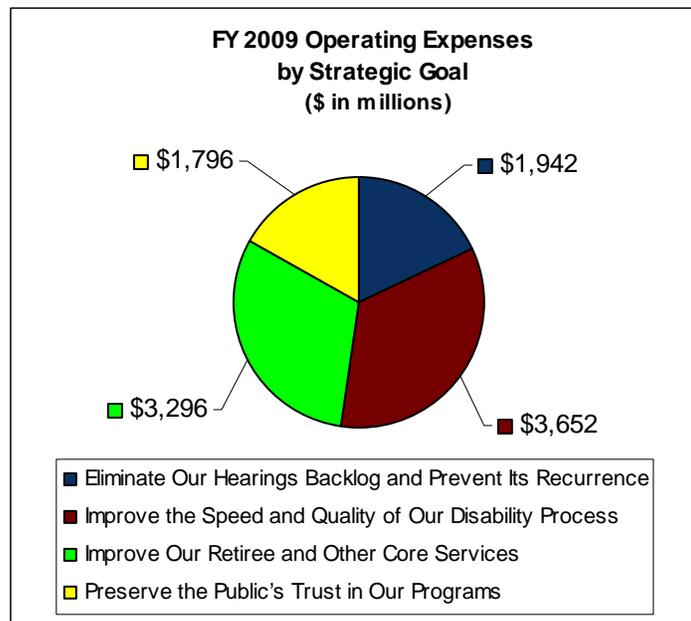
<b>Strategic Goal 3: Improve Our Retiree and Other Core Services</b>					
<b>Strategic Objective 3.1: Dramatically increase baby boomers' use of our online retirement services</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>3.1a</b> <b>PPM</b>	Percent of Retirement and Survivors claims receipts processed up to the budgeted level	100% (4,543,000)	104% (4,742,218)	↑	56
<b>3.1b</b>	Achieve the target percentage of retirement claims filed online	26%	32%	↑	57
<b>Strategic Objective 3.3: Improve our telephone service</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>3.3a</b>	Achieve the target speed in answering National 800 Number calls	330 seconds	245 seconds	↑	58
<b>3.3b</b>	Achieve the target busy rate for National 800 Number calls	10%	8%	↑	59
<b>Strategic Objective 3.4: Improve service for individuals who visit our field offices</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>3.4a</b> <b>PPM</b>	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	83%	81%	↓	60
<b>Strategic Objective 3.5: Process our Social Security number workload more effectively and efficiently</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>3.5a</b>	Achieve the target percentage for assigning original Social Security numbers correctly	95%	Data available May 2010	TBD	61

<b>Strategic Goal 4: Preserve the Public's Trust in Our Programs</b>					
<b>Strategic Objective 4.1: Curb improper payments</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>4.1a</b>	Process the budgeted number of Supplemental Security Income non-disability redeterminations	1,711,000	1,730,575	↑	63
<b>4.1b</b>	Process the budgeted number of continuing disability reviews	1,079,000	1,101,983	↑	64
<b>4.1c</b> <b>PPM</b>	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error	96.0% (O/P) 98.8% (U/P)	Data available June 2010	TBD	65
<b>4.1d</b> <b>PPM</b>	Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	99.8% (O/P) 99.8% (U/P)	Data available June 2010	TBD	66
<b>Strategic Objective 4.3: Maintain accurate earnings records</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>4.3a</b>	Achieve the target percentage of paper Forms W-2 received	17%	16%	↑	68
<b>Strategic Objective 4.5: Protect our programs from waste, fraud, and abuse</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>4.5a</b>	Receive an unqualified audit opinion on SSA's financial statements	Receive an unqualified opinion	Received an unqualified opinion	↑	69
<b>Strategic Objective 4.6: Use "green" solutions to improve our environment</b>					
<b>Performance Indicator</b>		<b>FY 2009 Target</b>	<b>FY 2009 Actual</b>	<b>Target Achieved?</b>	<b>See Page #</b>
<b>4.6a</b>	Replace gasoline-powered vehicles with alternative-fuel vehicles	20	26	↑	69
<b>4.6b</b>	Develop and implement an agency Environmental Management System	Develop a high-level project plan	Completed	↑	70

## HOW WE INTEGRATE OUR PERFORMANCE AND BUDGET

The *Government Performance and Results Act* requires agencies to prepare *Annual Performance Plans* outlining their current year tactical plans for achieving the goals and objectives outlined in their *Strategic Plan*. We submit our integrated budget and *Annual Performance Plan* to demonstrate the connection between requested funding and planned performance. This process is referred to as performance budgeting. The President's FY 2010 budget request, that included our *Annual Performance Plan for Fiscal Year 2010 and Revised Final Performance Plan for Fiscal Year 2009*, is available at <http://www.socialsecurity.gov/budget/FY10BudgetOverview.pdf>.

To round out the recurring cycle of performance budgeting, agencies are required to report, at the close of the fiscal year, their actual performance in comparison to their planned and budgeted performance outcomes. Additionally, agencies are to report their progress toward achieving the goals outlined in their *Strategic Plan*. This document, the *Performance and Accountability Report for Fiscal Year 2009*, compares our FY 2009 performance with our planned and budgeted performance outcomes. Furthermore, it explains our efforts, included our ongoing and planned initiatives, to achieve the four goals outlined in our *Strategic Plan*. The chart below shows our FY 2009 operating expenses allocated by strategic goal.



## HOW WE ENSURE DATA QUALITY

We are committed to providing clear, reliable data for managerial decision-making and oversight. We strive to ensure that our data is quantifiable and verifiable. We have internal controls in place to provide reasonable assurance that these objectives are met. These controls include ongoing data quality reviews, as well as audit trails, reviews at all levels of management, restricted access to sensitive data, and separation of job responsibilities. Our controls assure that data in this report contain no material inadequacies and support the Commissioner's *Federal Managers' Financial Integrity Act* Assurance Statement. Refer to the *Systems and Controls* section on page 41 for more information about the *Federal Managers' Financial Integrity Act*.

## **Social Security Data Integrity Systems and Controls**

We generate data for quantifiable performance measures using automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or higher. We also perform stewardship reviews on the accuracy of Old-Age, Survivors, and Disability Insurance and SSI payments. These reviews are the primary measure of quality for agency performance and provide an overall payment accuracy rate. We derive each review from a sample of records of individuals currently receiving monthly Social Security benefits or SSI payments. For each sampled record, we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility.

Furthermore, we use an evaluation process known as *Transaction Accuracy Reviews* to provide quality feedback on recently processed Old-Age, Survivors, and Disability Insurance and SSI applications, as well as SSI redeterminations. In FY 2009, we selected 17,300 cases (8,800 Old-Age, Survivors, and Disability Insurance cases and 8,500 SSI cases) for a *Transaction Accuracy Review*. These reviews focused on our processing procedures, and the results of these reviews provided national and regional data on the quality of the application process. In addition, we conducted field assistance visits to identify areas where we could improve our work processes. In an effort to improve accuracy and efficiency, we analyzed the data to determine the causes for deficiencies and issued mid-year and annual reports of our findings. These reports provided timely feedback to our employees and included recommendations on how to prevent errors in the future.

## **Audit of Our FY 2009 Financial Statements**

The *Chief Financial Officers Act of 1990* requires our Office of the Inspector General, or an independent external auditor that it selects, to audit our financial statements. The Office of the Inspector General conducted the FY 2009 audit with limited assistance from an independent external auditor. The audit concluded our financial statements present fairly, in all material respects, the financial position of the Social Security Administration. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We provide the Office of the Inspector General's audit report in the *Auditor's Reports* section beginning on page 145.

## **Role of our Office of the Inspector General**

Our Office of the Inspector General has a key role in auditing performance measure data systems to verify the validity and reliability of performance, budgeting, and financial data. The Office of the Inspector General did not initiate any performance measure audits in FY 2009. However, these audits will resume in FY 2010.

The objectives of such audits are to:

- Assess and test our internal controls of the development and reporting of performance data for selected annual performance measures;
- Assess and test the application controls related to the performance measures;
- Assess the overall reliability of the performance measures' computer processed data;
- Test the accuracy of results presented and disclosed in the *Performance and Accountability Report*;
- Assess the meaningfulness of the performance measures; and
- Report the results of the testing to Congress and agency management.

# ACHIEVING OUR MISSION



## OUR CHALLENGES AS WE STRIVE TO MEET THE CHANGING NEEDS OF THE PUBLIC WE SERVE

This *Performance and Accountability Report* highlights our accomplishments, discusses key issues that will affect our future operations, and describes how we managed our resources and administered our programs through the four strategic goals outlined in our *FY 2008-2013 Agency Strategic Plan*:

- Strategic Goal 1- Eliminate our hearings backlog and prevent its recurrence;
- Strategic Goal 2- Improve the speed and quality of our disability process;
- Strategic Goal 3- Improve our retiree and other core services; and
- Strategic Goal 4- Preserve the public's trust in our programs.

Below we discuss the major challenges facing the agency and the corresponding current and future actions we plan in response to these challenges.

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

Eliminating our hearings backlogs continued to be our primary focus in FY 2009. This, however, became increasingly more difficult as we faced an increase in hearing receipts. In FY 2009, we received 622,851 requests for hearings, the highest annual total we ever received. This was 33,402 more requests than FY 2008 – a 6-percent increase. In spite of this challenge, we continued to move forward with a wide-range of hearing backlog reduction initiatives. As a result, we reduced our pending hearings by 37,991 cases – 5-percent decrease – from FY 2008, the first decline in almost 10 years. We also kept the public better apprised of our hearing-reduction efforts. To this end, we provide a state-by-state update at <http://www.socialsecurity.gov/appeals/congressional-booklets.html>. Below we discuss our efforts to achieve the two objectives established for this goal.

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

In addition to adding new staff and resources, we maximized our ability to expedite hearing requests where it appeared the claim could be allowed without conducting a formal hearing. In doing so, individuals received their benefits months sooner than they would have under the formal hearing process, and our administrative law judges were able to focus on the more complex cases. Below are some of the initiatives we continued in FY 2009 and plan to carryover into FY 2010 to increase our capacity to hear and decide cases.

**Increase Number of Administrative Law Judges and Support Staff Levels:** We continued to increase our cadre of administrative law judges and hired sufficient staff to support them. In FY 2009, with the additional funds we received under the *Recovery Act*, we were able to hire 147 administrative law judges and 850 support staff. These staffing levels provided an average ratio of 4.5 support staff per administrative law judge – the level estimated to maximize our hearings potential. We plan to hire 226 administrative law judges and approximately 950 support staff in FY 2010. We are striving for a cadre of 1,500 administrative law judges and associated support staff by early 2012.

**Enhance the Senior Attorney Adjudicator Program:** Under this program our most experienced attorneys are authorized to issue fully-favorable decisions in certain cases without the need to conduct an actual hearing – referred to as “on-the-record” decisions – thereby providing disability benefits to individuals more quickly than if they had to wait for a hearing. In FY 2009, senior attorney adjudicators issued 36,366 on-the-record decisions. To ensure the accuracy of these decisions, we reviewed a random sample of their decisions after effectuation and found a 98-percent decisional accuracy rate. We further discuss our evaluation of this program on page 81 in the *Program Evaluation* section.

We will aggressively expand this initiative by increasing the number of senior attorney adjudicators. We are also looking for new and innovative ways to maximize this program. For example, beginning in FY 2010, we will form a virtual screening unit with 100 senior attorney adjudicators to carry out additional screening activities.

**Continue the Informal Remand Process:** We developed a software model that identifies cases where there is a strong likelihood the individual is disabled based on the circumstances involved or the evidence presented. Our hearing offices return these cases to the Disability Determination Services (DDS) for review and for a possible favorable determination thereby avoiding the need to hold a hearing. In FY 2009, the Disability Determination Service reviewed 52,294 cases under the informal remand process resulting in 14,938 favorable determinations.

**Open Additional Hearing Offices and National Hearing Centers:** In FY 2010, we plan to open 14 additional hearing offices and 3 satellite offices, along with the expansion of space in 2 existing offices. We also plan to open 11 hearing offices and 4 satellite offices in FY 2011.

In FY 2009, we opened three National Hearing Centers – Albuquerque, NM in March 2009; Chicago, IL in June 2009; and Baltimore, MD in July 2009 – bringing our total to four. In addition, we plan to open a fifth National Hearing Center in St. Louis, MO in FY 2010. National Hearing Centers use video conferencing that enables administrative law judges to hold remote disability hearings giving us the flexibility to swiftly target assistance to the areas of the country with the highest pending hearings workload. Our National Hearing Centers processed 9,162 hearings in FY 2009.

**Expand Video Hearings Capabilities:** We are expanding the availability and use of video hearings for the convenience of individuals who have filed a hearing request. Video hearings help minimize travel to hearing sites, saving time and money for all involved parties. The following initiatives bolstered video hearing usage in FY 2009:

- **Desktop Video Units:** In FY 2008, we began limited use of desktop video units – small flat screen monitors that enable administrative law judges to conduct video hearings in their offices instead of occupying a hearing room. Feedback has been very positive. Administrative law judges’ use of units in their offices helped free up hearing rooms for additional hearings. Based on these encouraging results, we installed 186 desktop video units in FY 2009 and conducted 10,620 hearings using these units. We plan to add over 100 units in FY 2010.
- **Representative Video Project:** Under the Representative Video Project, attorney and non-attorney representatives for individuals who have filed requests for hearings, may use their own video conferencing equipment that meets our specifications to participate in hearings from their own offices. In FY 2009, we certified 13 representatives to participate in this project and conducted 692 hearings. We expect to expand this initiative in FY 2010 and beyond.

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

We are committed to improving hearing office procedures and better managing hearings workloads. We significantly reduced the oldest hearings pending and incorporated the use of technology in our business processes.

**Implement the Standardized Electronic Business Process:** The purpose of this initiative is to facilitate timely and legally sufficient hearings and decisions by achieving and maintaining the most effective and efficient case processing methods. The new process will maximize quality by improving accuracy, timeliness, productivity, cost-efficiency, and service to the public. We rolled out and provided training on the standardized business process to 30 hearing offices in FY 2009 and will continue phasing in the process in all hearing offices nationwide in FY 2010.

**Expand Centralized Printing and Mailing:** In FY 2008, we contracted with a vendor to centralize the printing and mailing of select hearing level notices. This process, once fully implemented, will free hearing office staff from routine tasks, such as producing, folding, and mailing the millions of notices the hearing level issued annually. In March 2009, we centralized the printing and mailing of the largest volume hearing notice – the *Notice of Decision* – in a limited number of offices with a nationwide rollout beginning in FY 2010. We will add more categories of notices as we gain additional experience.

**Eliminate Use of Temporary Sites:** We use a variety of sites to hold hearings, including temporary space in hotels, motels, courthouses, schools, and conference centers. The increased use of electronic disability files makes holding hearings in temporary space more difficult as we are generally not able to connect to our systems at these sites. During FY 2009, we developed a plan to replace over 20 temporary sites with video hearing rooms in field offices and other Social Security facilities by FY 2011. These changes will allow us to operate more efficiently and provide individuals with a more convenient, secure, and professional environment for their hearing.

**Avoid a Backlog at the Appeals Council:** As we increase our capacity to hear and decide cases, we are mindful of the resulting effect on the Appeals Council workloads, the next step in the appeals process after a hearing. With the additional hearings processed in FY 2009, we expect 120,000 Appeals Council receipts in FY 2010, an increase of 13,000 over FY 2009. More receipts, coupled with our emphasis on processing the oldest and most complex cases, will significantly increase overall Appeals Council processing time. We will continue to closely monitor Appeals Council workloads and take necessary actions to reduce pending levels and processing time by hiring additional staff, using early screening initiatives, and improving automation and electronic case analysis tools.

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

In FY 2009, we saw significant increases in initial disability claims filed under both federal disability programs we administer. We received over 3 million claims for initial disability benefits, almost 17 percent more than FY 2008 and the highest level of receipts in agency history. Our projections indicate the filing of disability applications has not yet peaked. We now expect the surge to continue in FY 2010 with estimated receipts of more than 3.3 million, a 10-percent increase from FY 2009, and nearly 350,000 more than we assumed in the *FY 2010 President's Budget*. Despite this growing workload, we remain committed to a disability process that is fair, accurate, and as prompt as possible. Below we discuss our efforts to achieve the three objectives established for this goal.

## STRATEGIC OBJECTIVE 2.1: FAST-TRACK CASES THAT OBVIOUSLY MEET OUR DISABILITY STANDARDS

We have an obligation to provide benefits quickly to those individuals whose medical conditions obviously meet our disability standards. This is particularly critical in SSI disability claims to ensure these individuals immediately get the vital medical coverage they need. The following provides brief descriptions of the initiatives we have undertaken to help identify such cases.

**Expand Quick Disability Determinations (QDD):** The QDD process uses predictive modeling, a computer-based screening tool, to identify electronic disability cases involving medical conditions where a favorable disability determination is highly likely and evidence of the condition can be easily and quickly verified. Examples include low birth-weight babies, certain cancers, and end-stage renal disease. In FY 2009, we issued 74,245 favorable disability determinations under QDD – compared to 44,000 in FY 2008 – with an average processing time of less than 12 days. We continue to refine the QDD selection criteria to enhance our computer software and maximize our capacity to accurately identify these cases.

**Expand Compassionate Allowances:** *Compassionate Allowances*, like QDD, provide a way of quickly identifying diseases and other medical conditions that clearly meet our definition of disability. Under this initiative, the predictive model identifies claims involving medical conditions so severe that, by definition, they meet the required standards for disability entitlement. Examples include acute leukemia, pancreatic cancer, and amyotrophic lateral sclerosis (more frequently referred to as Lou Gehrig's disease). Using public outreach hearings, along with input from medical experts, the public, and others, we established 50 *Compassionate Allowance* conditions (25 are cancers and 25 are other diseases) at the time we launched this initiative in October 2008. We allow nearly all *Compassionate Allowance* cases if we receive supporting documentation and non-medical criteria are satisfied. Individuals with severe disabilities can be approved for disability benefits in a matter of days instead of months or years. We held our most recent public outreach hearing in July 2009. We will continue to expand the initial list of *Compassionate Allowance* impairments. For more information on *Compassionate Allowances*, see <http://www.socialsecurity.gov/compassionateallowances/>.

**Expand Use of Electronic Records Express:** *Electronic Records Express* provides electronic options for submitting health and school records needed to determine eligibility for disability benefits. Currently, entities may send records electronically to us, via a secure website or fax, which are then automatically associated with an individual's electronic disability folder. This process was our first step to support the receipt of electronic records. Health Information Technology is our next step to receive and analyze standardized electronic medical data. Health Information Technology is described on page 26.

**Support the Military Casualty Initiative:** We have increased outreach to help military members and their families learn about and apply for disability benefits. As a result of national and local initiatives at major medical facilities, more wounded warriors are applying for benefits and we are expediting their claims. For more information on the Military Casualty Initiative, see <http://www.socialsecurity.gov/woundedwarriors/>.

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

Individuals have the option to file for disability benefits online. In FY 2009, almost 600,000 individuals filed for disability online. Our online disability application was cumbersome and often times confusing and deterred individuals from filing. Consequently, we began an initiative – *Disability Direct* – to increase the online filing rate and fulfill the public's expectation for more convenient, effective, and secure online service. This initiative makes it easier and faster to apply for disability benefits using *iClaim*. *iClaim* is the online tool that individuals can use to file electronically for benefits from the comfort of their homes or offices.

There are three foundational projects under this initiative designed to provide significant workload efficiencies: the *Appointed Representative Suite of Services*; the *Streamlined Application*; and the *Claims Data Web Service*. We plan to roll out these features in FY 2010:

- **Implement the *Appointed Representative Suite of Services*:** Increasingly, representatives transact business with us on behalf of applicants who file for disability benefits. To meet this demand for service from representatives (such as attorneys, non-attorneys, representative payees, and third parties) and alleviate workloads in our field offices, we are implementing the *Appointed Representative Suite of Services*, a comprehensive package of online services for representatives. In FY 2010, we will implement the first phase of the *Appointed Representative Suite of Services*. This release will allow individual representatives, at all levels of the disability process (initial, reconsideration, hearing, and Appeals Council), to register online, manage their representative profile, and have access to their clients' electronic folders. We will implement additional phases of the *Appointed Representative Suite of Services* throughout FY 2010 that will focus on expanding registration and folder access, simplifying the process of submitting appeals, and documenting a representative's appointment.
- **Expand the *Streamlined Application Project*:** As part of the *Streamlined Application* project, we will release a simplified *Adult Disability Report*, which will be used to obtain basic information needed to process a disability claim, such as individuals' medical sources and employment history. This enhancement will allow those individuals filing for disability and/or their representatives to minimize their completion time and improve the quality of disability information we receive.
- **Pilot the *Claims Data Web Service*:** The *Claims Data Web Service* pilot will allow representatives, hospitals, and social workers to submit application data electronically to field offices. This service has the potential to eliminate manual keying of data for over 100,000 paper applications and appeals received annually from third-party providers.

### STRATEGIC OBJECTIVE 2.3: REGULARLY UPDATE OUR DISABILITY POLICIES AND PROCEDURES

With the dramatic growth in the number of individuals applying for disability benefits, we cannot continue to process claims as we have in the past. Over the years, testing for and treatment of impairments has changed. By comparison, the way we request and receive medical information to determine disability has not changed in any fundamental way. The following provides brief descriptions of our initiatives to update our disability policies and procedures.

**Expand Use of Health Information Technology:** Obtaining medical evidence is a critical and time-consuming part of our disability determination process. Each year, we request over 15 million medical records on behalf of our disability applicants and store more than 400 million medical documents. In FY 2009, we became the first government agency to use the *Nationwide Health Information Network*, the Department of Health and Human Services' initiative to provide a secure connection to access electronic medical records. This network provides safe, secure, and almost instantaneous access to medical records, thereby significantly shortening the time it takes to make a disability decision. In partnership with MedVirginia, we use the *Nationwide Health Information Network* to obtain electronic medical records in some disability cases in Virginia. We will continue to work with the Office of the National Coordinator for Health Information Technology, MedVirginia, and other network cooperative members to expand this effort.

Additionally, we are using \$24 million we received under the *Recovery Act* to expand our use of Health Information Technology. We will award competitive contracts to fund technological support to healthcare organizations that will provide us with medical records through the *Nationwide Health Information Network*. We expect to award contracts to health information exchanges, regional health information organizations, general medical and specialty care service providers and facilities in early 2010.

Further, we will continue to collaborate with the Department of Health and Human Services, the Department of Veterans Affairs, and other federal and state agencies, health care providers, and insurers to develop uniform clinical coding and medical report formats to standardize electronic storage and exchange of medical records. Such standardization will allow us to identify disabling conditions quickly and automatically, track trends in disability claims, and design more objective methods to identify disabling conditions.

**Develop an Occupational Information System:** The Department of Labor provided occupational information in the *Dictionary of Occupational Titles (DOT)*; however, the Department of Labor has not updated the DOT since 1991 and has no plans to do so. To adjudicate disability claims, we need up-to-date information about the various occupations that individuals have performed to determine whether their impairment prevents them from doing their usual work as well as any other work in the national economy. Therefore, in FY 2009 we established short and long-term strategies to develop a modernized *Occupational Information System*. Our short-term strategy entails evaluating whether a currently available private-sector updated DOT meets the criteria that would allow us to integrate the information into our disability evaluation process. We are currently examining the results of that evaluation. As part of our long-term strategy, we established an *Occupational Information Development Advisory Panel* that will prepare recommendations regarding the type of occupational information we should collect, as well as how we should group occupations for disability evaluations. The *Panel's* mission is to provide independent advice and recommendations on plans and activities to replace the DOT and to create an occupational information system tailored specifically for our disability programs and decision process. In FY 2009, the *Panel* held three public meetings, received testimony from public organizations, and conducted investigations into the issues raised. The *Panel* delivered its first set of recommendations in September 2009.

**Update the Listing of Impairments:** The *Listing of Impairments (Listings)* describe for each major body system the impairments considered severe enough to prevent an individual from working, or for children, impairments that cause marked and severe functional limitations. We update the *Listings* on a regular basis and have a schedule to ensure we update all of them at least once every 5 to 7 years as needed. This will improve our ability to decide whether a claimant meets the criteria for disability benefits. In the last 5 years, we have revised approximately 50 percent of the *Listings*.

In FY 2008, we published final regulations for 2 of the 14 body systems. In FY 2009, we published 8 *Social Security Rulings* concerning Childhood Disability rules in the *Federal Register*. Additionally, to support our revisions of the *Listings*, we entered into a partnership with the Institute of Medicine to establish a committee of medical experts to assist us in ensuring that the *Listings* are medically supportable, relevant, and technologically correct. For more information about the *Listings* see <http://www.socialsecurity.gov/disability/professionals/bluebook/>.

**Expand Use of the Electronic Claims Analysis Tool (eCAT):** We are testing a new web-based tool, eCAT, in the Disability Determination Services. This tool aides examiners in documenting, analyzing, and adjudicating disability claims in accordance with our regulations and policies to yield consistent, policy-compliant outcomes. We expect eCAT use will help produce well-reasoned decisions with easy-to-understand explanations of how we reached our decision. First tested in Virginia and Connecticut, we expanded testing of eCAT to 6 additional States in FY 2009 (Colorado, Delaware, Louisiana, Michigan, New Jersey, and North Carolina).

**Develop and Implement a Disability Determination Services Common Case Processing System:** There are 54 Disability Determination Services, each with its own unique case processing system that requires significant resources for ongoing support, maintenance, and enhancements. Before we implement disability case processing changes, we must modify each of the 54 systems, a logistical, costly, and time-consuming challenge. A common case processing system will eliminate these challenges and better position us to integrate upcoming health information technologies. Working collaboratively with state administrators, we have developed a business process model that will serve as our foundation for establishing the new system. Our state partners have agreed that we need a common system; in FY 2010, we will work closely with them to develop requirements and design the system.

### **Strategic Goal 3: Improve Our Retiree and Other Core Services**

Service to the public has suffered as our staffing levels have not been sufficient to address growing workloads. In FY 2009, we began to feel the impact of baby-boomer retirements and the downturn of the economy. We received a record-breaking number of phone calls and had unprecedented levels of Social Security number-related workloads, while continuing to update and maintain millions of workers' earnings records. With additional funding provided by Congress, we were able to add approximately 1,400 additional employees in our front-line operational components.

While our budget and staffing plans support our core services, we cannot overlook the non-mission-related services we are asked to provide. For example, in accordance with the *Recovery Act*, we facilitated the issuance of one-time \$250 economic recovery payments to almost 53 million eligible individuals in May 2009, just 3 months after this legislation was signed into law. We anticipate that other pending legislation, such as *E-Verify*, healthcare, and immigration reform, will have a significant impact on our services. Despite increasing demands and workloads, we remain committed to improving our retiree and other core services by targeting the following five objectives.

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

Nearly 80 million baby boomers will file for retirement benefits over the next 20 years – an average of 10,000 per day. With this wave of new applications, it is essential that we provide multiple service options, which include easy, user-friendly online and automated services. In FY 2009, we launched our national effort to promote Social Security's new and improved online application for retirement benefits. Individuals filed more than 833,433 retirement applications online in FY 2009, more than a 100-percent increase from FY 2008 when we received 407,443 online retirement applications. We expect this increasing trend to continue.

**Refine Ready Retirement:** We continue to enhance our *Ready Retirement* initiative, which will fully streamline the retirement application process and allow online filing using *iClaim*, a tool that enables individuals to file electronically for retirement benefits from the comfort and convenience of their homes or offices. On average, individuals are able to complete the application in as little as 15 minutes – far shorter than the 45 minutes it often took to complete former versions of our online application.

We reduced the time it takes to complete our online application by streamlining our policies and procedures. For example, *iClaim* only asks questions pertinent to an applicant's personal situation based on information in our files (e.g., age, earnings, citizenship, and military service). These improvements eliminate the need for most individuals to visit their local field office to provide a copy of necessary documentation. As we gain more experience, we will continue to refine and enhance our critical retirement Internet services.

In FY 2010, we will implement another major release of *iClaim*, which will include a new abbreviated Internet application for users to file only for Medicare benefits. Since the full retirement age is now higher than age 65 for those born after 1942, many people are interested in only filing for Medicare while delaying their actual retirement benefits.

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

Our notices communicate decisions, payment, and other important information, as well as inform individuals of their rights and responsibilities under our programs, including appeal rights. We issue approximately 390 million notices to the public each year, an average of more than 1 million notices a day, and we expect this to increase in the future. In comparison, about a quarter-million individuals contact our National 800 Number and over 100,000 individuals visit our field offices each day. Since we communicate by written notice far more frequently than by any other means, our notices must be clear, concise, and easily understood.

Although we do not have any FY 2009 performance measures under this objective, we will continue to assess and improve our agency notices through our *Notice Improvement Initiative*. In FY 2009, our notice improvement efforts included targeting high-volume, problematic notices, and obtaining input from those who receive our notices on how we can improve them. We implemented an improved notice of hearing, as well as an improved SSI denial notice. We also published revised notice standards, clear writing guidelines, and a national notice clearance process. Future notice improvement efforts will focus on improving notices that provide individuals with information regarding their disability claims, as well as continuing disability review and overpayment notices.

### STRATEGIC OBJECTIVE 3.3: IMPROVE OUR TELEPHONE SERVICE

Our telephone service remains a primary option for providing effective and efficient service to the public. Last year, over 82 million calls were placed to our National 800 Number. We assist callers by answering questions they have about Social Security benefits, schedule appointments for them to file claims, or help them obtain information from their Social Security record. Last year, we processed almost 67 million transactions, of which 38 million were handled by our agents and 22 million were processed using our automated services. We expect the volume of transactions to increase even more in FY 2010. Improvements to our National 800 Number services in FY 2010 and beyond will include:

**Increase Staffing Levels:** In FY 2009, we hired about 260 additional National 800 Number teleservice center agents. We will continue to hire additional personnel as needed to improve the speed in which we answer calls, as well as increase our capacity to answer more calls.

**Open New Teleservice Center:** We are working with the General Services Administration to build a new teleservice center in Jackson, Tennessee, the first new call center to be opened in more than a decade. This center will improve service to the millions of Americans who call our toll-free National 800 Number and will officially open in FY 2011.

**Replace Our National 800 Number Infrastructure:** We will award and implement *Citizens Access Routing Enterprise through 2020*, a replacement of our National 800 Number telecommunications infrastructure. This new contract will replace two existing contracts with a *Voice over Internet Protocol* single system. The new system will include features that will allow us to keep pace with industry standards as we endeavor to quickly answer an increasing number of calls.

**Explore Click-to-Communicate Technology:** We will conduct planning and analysis to explore all click-to-communicate technologies, such as *Web Callback* (also called “click to talk”), to leverage both online services and web technology to allow National 800 Number agents to assist our online users in “real-time” as they conduct business with us.

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

Our field offices are our front door for the American public. We will continue to assess and improve service for individuals who visit our field offices. For example, we will improve our field office reception areas and use new technologies such as self-help personal computers and Social Security TV to provide additional services to accommodate the increasing number of individuals who visit us each day. We are also incorporating new reception area features and designs to make visiting our offices a better experience. For individuals who live in remote areas and find it difficult to visit a field office, we are expanding our ability to serve them by using video service delivery. Video Service Delivery has been implemented in 37 field offices, 2 Disability Determination Services sites, and 13 third-party sites. Between April and October 2009, over 2,800 transactions were conducted via video including 578 retirement and survivors claims, 376 Social Security disability claims, and 378 SSI disability claims. The ultimate goal of these initiatives is to lay the groundwork for the *SSA Office of the Future*.

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

Each year we process approximately 6 million original and 12 million replacement Social Security card applications. We also process more than one billion requests a year for Social Security number verifications using a variety of electronic exchanges with public and private organizations. The process of assigning Social Security numbers and issuing Social Security cards is referred to as enumeration. This workload is highly sensitive and often complex. As Congress continues to debate immigration reform, we expect additional work and complexity in this area. We must develop efficient ways to handle this workload electronically to meet increased enumeration workloads.

**Strengthen the *Social Security Number Application Process (SSNAP)*:** Our employees currently use two systems to process Social Security card requests. The SSNAP initiative combines the functionality from the two systems into a single web-based application that ensures the integrity of the enumeration process. SSNAP was available in 21 field offices and 1 foreign service post at the end of 2009. We will fully implement SSNAP in all field offices, foreign service posts, and teleservice centers by FY 2011.

**Launch an *Online Replacement Card Starter Kit*:** We plan to launch an *Online Replacement Card Starter Kit* in FY 2010 that will allow some individuals to start the process of applying for a replacement Social Security card online at [www.socialsecurity.gov](http://www.socialsecurity.gov). We will advise applicants of the documents we need and provide the location of the nearest field office or Social Security Card Center for them to complete the process. Field office personnel will access the online information and process the application as usual. Applicants will receive their replacement card in the mail within 14 days. This process makes the replacement card process more efficient by reducing the amount of time it currently takes to collect required information and documentation during the field office or Card Center interview.

**Provide Central Locations to Process Social Security Number Applications:** We currently have seven Social Security Card Centers located throughout the country. The Card Centers streamline and improve the integrity and stewardship of the Social Security number assignment process. Because of their specialized expertise, Card Center employees process applications for original Social Security numbers and replacement cards with a high degree of integrity, efficiency, and expertise. Applicants for new or replacement cards generally have shorter wait times in the Card Centers than in the field offices. Card Centers handle much of the Social Security number workload allowing nearby field offices to focus on other critical activities, which improves services in those field offices. We plan to open additional Card Centers in FYs 2010 and 2011.

**Encourage Use of the Social Security Number Verification Service:** The *Social Security Number Verification Service* allows registered users (employers and certain third-party submitters) to determine almost instantaneously if the reported names and Social Security numbers of employees match our records. We can provide immediate results for online verification requests for up to 10 names and Social Security numbers. We provide verifications on larger batched requests of up to 250,000 names and Social Security numbers usually the next business day. The service is available to employers to help ensure that the wages of their employees are accurately reported, however it does not verify employees' work eligibility. We will continue to encourage employers to use this free, Internet-based service, which will help minimize fraud, reduce Social Security number misuse and identity theft, and ensure the accuracy of earnings records.

**Support E-Verify:** *E-Verify* is a program administered by the Department of Homeland Security that allows employers to electronically verify the employment eligibility of newly hired employees. As of October 2009, more than 157,000 employers participated in *E-Verify*. Beginning September 8, 2009, the use of *E-Verify* became mandatory for contractors who are awarded federal contracts. After this date, contractors must use *E-Verify* for all new hires and any current employees working on federal contracts. We support the *E-Verify* program by providing Social Security number verification and citizenship information. In FY 2009, we handled approximately 9.4 million queries. In FY 2010, we expect *E-Verify* to process about 15 million queries. For more information about *E-Verify*, see <http://www.dhs.gov/E-Verify>.

**Expand Enumeration-at-Entry:** Prior to August 2009, this program allowed non-citizens age 18 or older to apply for a Social Security number with the Department of State or the Department of Homeland Security prior to or upon their arrival in the U.S. As a result of ongoing collaboration with these agencies, in FY 2009, we expanded Enumeration-at-Entry to process requests for children under the age of 18 who have applied for immigrant visas and a Social Security number.

In FY 2010, we plan to improve the current process by implementing additional systems checks to prevent the issuance of multiple Social Security numbers and increase our management information capabilities. We are proactively working with the Department of Homeland Security to expand the program to additional classifications of non-citizens, including individuals applying for admission to the U.S. who are under certain non-immigration visa classifications. These planned improvements will eliminate opportunities for fraud and reduce the number of Enumeration-at-Entry problem cases.

**Implement Use of Auto Cards:** We are working with the Department of Homeland Security to support their transmission of data directly to our enumeration system. This improvement will allow us to automatically and securely assign a Social Security number and issue a Social Security card without field office action for certain changes in alien and citizenship status. The new process will be available for three categories of individuals: 1) non-immigrants whose status changes to permanent resident status; 2) non-citizens applying for a work permit for the first time; and 3) individuals who become naturalized citizens. We plan to begin development for this multi-year initiative in FY 2010.

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

In FY 2009, we paid approximately 60 million individuals more than \$700 billion in Social Security and SSI payments. In addition, we facilitated the issuance of \$250 billion stimulus payment to almost 53 million eligible individuals in May 2009 – injecting about \$13 billion into the economy. We take pride in our ability to accurately and efficiently administer our programs and in how we carefully manage the resources and safeguard personal information entrusted to us. To preserve this trust, we must invest more resources in our program integrity efforts and continue to adhere to sound management practices. Below we discuss our efforts to achieve the following six objectives established for this goal.

**STRATEGIC OBJECTIVE 4.1: CURB IMPROPER PAYMENTS**

Our program integrity workloads are critical to ensuring accurate payments, but our ability to carry out such workloads depends upon resources. Due to the tight budgets in the past, we had to make tough choices between service to the public and stewardship efforts. To maintain service, we had to reduce two of our most productive stewardship workloads as we described on pages 63 and 64 – SSI redeterminations and continuing disability reviews. However, we are beginning to reverse the overall decline in our program integrity reviews, and we expect to devote more funds towards such reviews in FY 2010. Below we discuss our initiatives to detect and prevent improper payments as well as collect debt.

**Conduct Supplemental Security Income Redeterminations:** SSI is a means-tested program that provides cash assistance to aged, blind, and disabled individuals with limited income and resources. Once individuals are eligible for these benefits, changes in their living arrangements or in the amount of their income or resources can affect their ongoing eligibility for or the amount of their benefit. In order to assure that we are making accurate SSI payments only to eligible individuals, we conduct periodic reviews of non-medical factors of eligibility called redeterminations. Redeterminations are a proven investment by ensuring that individuals who receive SSI are paid the correct amount based on their circumstances such as their income, resources and living arrangements. We currently estimate that redeterminations processed above the base level have a return on investment over 10 years of \$7 in program savings for each \$1 spent, including savings accruing to Medicaid. In FY 2010, we expect to conduct 2,422,000 SSI redeterminations, an increase of more than 690,000 over FY 2009. While increasing redeterminations is a step in the right direction, our program integrity efforts are still considerably less than they were at the beginning of this decade. We attribute our decline in SSI overpayment accuracy to the reduction in the number of redeterminations we have been able to complete.

**Perform Continuing Disability Reviews:** To ensure we pay disability benefits only to those who continue to meet our medical requirements, we periodically conduct continuing disability reviews. We have found that continuing disability reviews are highly productive; every \$1 spent produces a \$10 return. To make this process even more efficient, we continue to refine the continuing disability reviews mailer/statistical scoring model to screen cases and identify those for which a full medical review would not be cost-effective. We then conduct full medical continuing disability reviews for the remaining cases. We are also refining an electronic continuing disability reviews process, which increases our speed and potential productivity compared to a paper continuing disability review process.

**Initiate Automated International Death Data Exchanges:** In FY 2009, we initiated our first automated exchange of death data with a foreign country. Under the terms of the negotiated agreement, Australia and the U.S. provide information to each other electronically on the death of individuals who appear to be receiving Social Security benefits from the other country. As a result, death notifications are now provided more timely and improper payments can be avoided. We will continue to work with other countries to determine the viability of expansion.

**Expand the Access to Financial Institutions Project:** Individuals must meet specific income and resource criteria to qualify for SSI benefits. To determine whether individuals meet these criteria, we need to verify their resources, including those held in financial institutions. The *Access to Financial Institutions* project enables us to electronically verify account balances and identify undisclosed accounts, primary factors contributing to improper SSI payments.

Our studies indicate that up to four percent of individuals applying for SSI have undisclosed bank accounts that would result in a denial of benefits. We can obtain bank account information much faster with this electronic data exchange compared to current manual processes. We have implemented the *Access to Financial Institutions* project in California, New Jersey, and New York. We plan to expand this project to more States in FY 2010, with the ultimate goal of nationwide implementation.

**Enhance Overpayment Collection Efforts:** We make every effort to recover Social Security and SSI overpayments from the overpaid individual or a representative payee who may be liable for the overpayment. We have several avenues to collect debt. Withholding current benefit payments from the individual is preferable since debt is more difficult to recoup once benefits end; therefore, we make every effort to identify and collect debt as soon as possible. If the overpaid individual no longer receives benefits, we offer the opportunity to repay debt via monthly installment payments. If a repayment agreement cannot be arranged, we withhold debt from a variety of sources including federal tax refunds, federal annuities, and wages. We have enhanced our debt collection process through recovery via offset of state payments, including state tax refunds. In addition, we are exploring other debt-collection tools, such as use of private collection agencies and the application of administrative fees and interest charging.

#### STRATEGIC OBJECTIVE 4.2: ENSURE PRIVACY AND SECURITY OF PERSONAL INFORMATION

We consider privacy protection so important it was the subject of our first regulation in 1936. The regulation details our privacy policy and the permissible disclosures of personally identifiable information. It also reflects our commitment to maintaining the confidentiality and integrity of such information.

Although we do not have any FY 2009 performance measures under this objective, we engage in several practices to ensure privacy and security of personal information. For instance, we comply with the *Federal Information Security Management Act of 2002* by reporting annually to the Office of Management and Budget and to Congress on our ability to safeguard personally identifiable information. We also inform the public through notices in the *Federal Register* about our authority for collecting and using personal information. Additionally, we have specific plans to continue to develop new authentication solutions to provide a secure environment for online and telephone services.

#### STRATEGIC OBJECTIVE 4.3: MAINTAIN ACCURATE EARNINGS RECORDS

In FY 2009, we processed and posted more than 262 million reports of earnings to individuals' records. We base Social Security benefit amounts on a worker's lifetime earnings, so it is critical that we maintain accurate earnings records and credit the correct amount of earnings to the right person. Maintaining accurate earnings records is highly resource intensive and complex, but vital to the administration of our programs. We make every effort to ensure employers and workers have the tools to report wages accurately and correct any mistakes. We are taking the following efforts to ensure the accuracy of earnings records.

**Issue Annual Social Security Statements:** We issue the annual *Social Security Statement*, as required by law, so individuals can review their earnings record for accuracy and completeness. We mail the *Statement* to all workers age 25 and older who are not yet receiving Social Security benefits. The *Social Security Statement* arrives 2 to 3 months before an individual's birthday. It provides estimates of retirement, disability, and survivor benefits based on Social Security tax contributions and helps individuals plan for their financial future. More information is available at <http://www.socialsecurity.gov/mystatement/>.

In FY 2009, we completely redesigned the insert "*Thinking of Retiring*," that we send to workers age 55 and older, which highlights retirement age considerations, the online *Retirement Estimator*, and the ease of filing online. We also began including an insert, "*What Young Workers Should Know About Social Security and Saving*," for workers aged 25-35, which provides information about retirement planning and includes a chart illustrating the benefits of saving. In FY 2010, we will issue approximately 151 million *Social Security Statements*. To maximize the usefulness of the *Statement*, we will conduct formal surveys and meet with the public to solicit feedback on its design and content. We will use the feedback to make necessary revisions and enhancements.

**Increase Electronic Wage Report Filing:** We continue to eliminate paper wage reports as we migrate to an electronic earnings record process. Annually, we receive over 43 million paper wage reports from approximately 4.4 million employers. Since paper wage reports are more error-prone, labor intensive, and expensive to process, we will continue to encourage employers to use our *Business Services Online* to file Forms W-2 for their employees electronically. We will inform employers about electronic wage reporting through online information and resources, promotional materials, payroll conferences, articles in trade publications, and direct contact. Additionally, we will continue to work and collaborate with the Internal Revenue Service to improve all aspects of wage reporting.

**Implement Earnings: The Next Generation Initiative:** Our earnings systems, last modernized in 1994, involves manual processes that make it error-prone and poorly suited for today's Internet environment. We are redesigning our systems to transform our earnings process from paper to electronic. Some benefits of this redesign include timely wage postings, increased accuracy of posted earnings, and better Social Security number verification. In FY 2010, we will begin modernizing the system that processes self-employment earnings, as well as unifying the multiple systems that process corrections to earnings records.

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

We must simplify and streamline our policies and procedures as well as transform our business processes to an electronic environment if we are to meet the challenges of our growing workloads and provide the best service possible. Although we do not have any FY 2009 performance measures under this objective, we continue to develop legislative proposals to improve our policies and address differences and difficulties in the application of disability policy and procedures at all decision-making levels.

Our front line employees use the policies and procedures contained in the *Program Operations Manual* to process workloads. We recently conducted a survey of policy experts to identify areas of the *Manual* that need revision. We will use the survey results to plan and prioritize necessary revisions that we will accomplish in FY 2010.

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

Our programs are a tempting target for fraud and abuse. We maintain a strong detection and prevention program to deter those contemplating fraudulent activities. We also collaborate with other federal agencies to investigate and prosecute fraud, expand forensic computer crime detection capabilities, and strengthen fraud prevention by adding new checks and balances in our processes. We will continue a wide array of activities to protect our programs from waste, fraud, and abuse.

**Develop Tools to Fight Against Fraud:** We receive numerous documents in conducting our business, including those to establish an individual's age, identity, and citizenship or lawful alien status. As such, we must continually be watchful for altered or fraudulent documents. In FY 2009, we established a *Document Verification* website to assist our front-line employees in identifying suspect or fraudulent documents. This website serves as a one-stop portal for links to a number of resources employees can access to help investigate the authenticity of documents submitted. For example, the *Document Verification* website provides a link to the *Docutector* website, an online guide for verifying the authenticity of U.S. and Canadian drivers' licenses and other state-issued documents.

**Conduct Onsite Security Control and Audit Reviews:** We continue to conduct ongoing *Onsite Security Control and Audit Reviews* to ensure our field offices, teleservice centers, processing centers, Disability Determination Services, and hearing offices follow established policies and procedures, and verify that management controls are in place to deter and detect waste, fraud, and abuse. The reviews identify any major problems before they lead to material weaknesses. Office managers are required to submit a corrective action plan detailing

corrective actions for each deficiency cited during the review. We also monitor corrective actions to ensure offices have addressed each deficiency.

**Ensure the Integrity of Our Annual Financial Statements:** Each year, as mandated by the *Chief Financial Officers Act of 1990*, our Office of the Inspector General (OIG), or an independent external auditor as determined by the OIG, audits our financial statements in accordance with applicable standards. We are proud that FY 2009 was the 16<sup>th</sup> consecutive year that we received an unqualified audit opinion. An unqualified audit opinion attests to the fair presentation of our financial statements and demonstrates the discipline and accountability essential to our responsibilities as stewards of Social Security funds. Furthermore, an unqualified audit opinion assures the public and Congress that: 1) our financial statements conform to generally accepted accounting principles; 2) we fairly state that our internal controls over financial reporting are operating effectively; and, 3) we are in compliance with the laws and regulations. Refer to the *Auditor's Reports* section, beginning on page 145, for more information on the audit.

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

In accordance with *Executive Order 13423*

([http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA\\_BASIC&contentId=22395&noc=T](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=22395&noc=T)) to strengthen federal environmental, energy and transportation management, we continue our tradition of "going green." Doing so benefits the environment and saves taxpayer dollars by minimizing waste and reducing energy consumption.



**Figure 4 Going Green at our Southeastern Program Service Center**

In FY 2009, we established an internal website for agency employees, *SSA is Getting Greener*. This website provides an online resource for our "green" projects and activities. We encouraged our regional offices to add links that promote "green" initiatives and to provide information for employees about local resources that promote environmentally friendly services such as public transportation and recycling.

We are making environmentally conscientious decisions by purchasing computers with *Energy Star* ratings, and we are enabling our workstations to use the power saving *Wake-On-Lan* technology. Additionally as we build and renovate our facilities, we will use environmentally sustainable strategies, including green roofs, solar panels, wind turbines, energy efficient lighting, climate control, and other "green" improvements. In January 2009, the new Southeastern Program Service Center building in Birmingham, Alabama celebrated its 1-year

anniversary. It has a green roof that reduces the building's carbon footprint through absorption of carbon dioxide and by incorporating oxygen-producing plants and vegetables, a raised floor system that provides better ventilation for improved air quality, and a "natural light harvesting" system designed to capture as much natural sunlight as possible. This building won a *Best of the Best Award* in FY 2009 in the Government category. Refer to page 14 for more details about this award. For more information on our efforts to "go green," see <http://www.socialsecurity.gov/pgm/earthday.htm>

## OUR PROGRAM PERFORMANCE MEASURES

The Office of Management and Budget assesses the effectiveness of federal programs by identifying strengths and weaknesses to assist executives in making informed budget and management decisions. As part of the assessment, the Office of Management and Budget evaluates our programs— Old-Age, Disability, and Survivors Insurance and SSI.

We provide Program Performance Measures and targets that the Office of Management and Budget uses to evaluate the effectiveness of our programs. In FY 2009, we had 18 Program Performance Measures. Eight of these measures were also *Government Performance and Results Act* performance measures that we indicate as such in the *Performance Summary of Goals and Results* on page 16.

Program Performance Measures included in the program assessments emphasize the relationship between outcome, output, and efficiency measures, because each kind of measure provides valuable information about program performance. Collectively, these measures convey a comprehensive story regarding what products and services agencies provide, how well they do so, and with what result. The Office of Management and Budget is in the process of overhauling the performance metrics system. In the interim, we have continued to monitor these important Program Performance Measures included in the program assessments.



**Figure 5:** This is a picture of a few of the hundreds of cardpunch operators SSA employed throughout the late 1930s and into the 1950s to maintain Social Security records in the days before the advent of computers.

# HIGHLIGHTS OF FINANCIAL POSITION



## OVERVIEW OF FINANCIAL DATA

We received an unqualified opinion on our financial statements from our Office of the Inspector General. These statements combined the results from the programs we administer which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination) and the Supplemental Security Income (SSI) program. OASI and DI have separate funds which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 91 through 144 of this report.

**Balance Sheet:** The Balance Sheet displayed on page 92 presents our assets, liabilities, and net position. Total assets for FY 2009 are \$2,553.6 billion, a 5.8 percent increase over the previous year. Of the total assets, \$2,538.2 billion primarily relates to earmarked funds for the OASI and DI programs and approximately 98.1 percent are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. Investments increased \$137.1 billion over the previous year primarily due to tax revenues of \$668.2 billion and interest on those investments of \$118.2 billion, exceeding the cost of operations of \$731.6 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 86.2 percent of the growth of the investments, up from 62.2 percent in 2008.

Liabilities grew in 2009 by \$7.6 billion primarily because of the growth in benefits due and payable. The majority of our liabilities (84.2 percent) consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Our net position grew \$131.3 billion to \$2,458.8 billion, reflecting the higher growth in assets than liabilities. The table below gives a brief summary of the change in our net position from FY 2008 to FY 2009.

Financial Position (dollars in billions)				
	FY 2009	FY 2008	Increase/(Decrease)	% Change
<b>Total Assets</b>	\$2,553.6	\$2,414.7	\$138.9	5.8%
<b>Less: Total Liabilities</b>	\$94.8	\$87.2	\$7.6	8.7%
<b>Net Position (Total Assets less Total Liabilities)<sup>1</sup></b>	\$2,458.8	\$2,327.5	\$131.3	5.6%

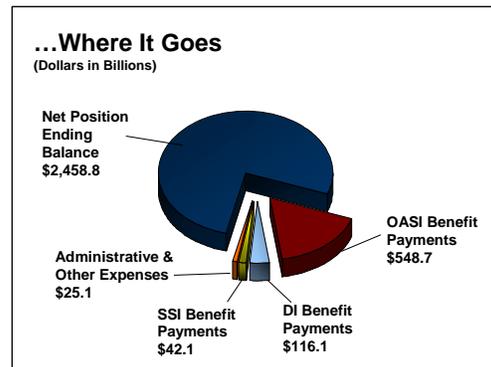
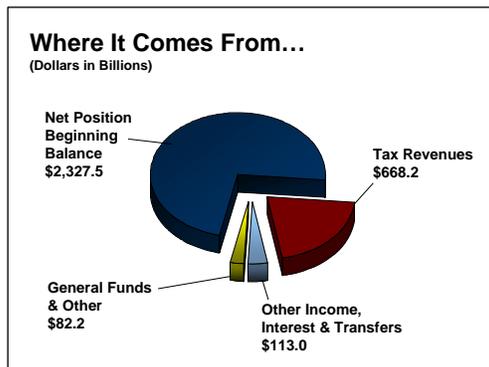
1. Totals do not necessarily equal the sum of rounded components.

**Statement of Net Cost:** The Statement of Net Cost displayed on page 93 presents the annual cost of operating our four major programs. In FY 2009, our net cost of operations increased \$73.3 billion to \$731.6 billion, primarily due to the first wave of baby boomers attaining retirement age. Of this increase, \$59.3 billion resulted from increased benefit payments and \$14.0 billion resulted from increased operating expenses. Our Statement of Net Cost is divided into sections by the major programs that we administer. These programs are the OASI program, DI program, SSI program, and Other program. The following paragraph notes the major changes that occurred in these four programs in FY 2009.

Regarding the OASI program, net cost grew 8.6 percent; benefit payments grew 8.6 percent; operating expenses grew 5.3 percent; the number of OASI beneficiaries grew 2.8 percent to 42.6 million; and average benefit payments grew by 6.9 percent to \$1,094.64 per month. For the DI program, net cost grew 11.4 percent; benefits payments grew 11.5 percent; operating expenses increased by 5.8 percent; the number of DI beneficiaries grew by 4.9 percent; and average benefit payments increased 6.1 percent to \$916.67 per month. The SSI program's net cost grew 9.9 percent; benefit payments grew 9.8 percent; operating expenses increased by 11.3 percent; the number of SSI beneficiaries grew by 2.4 percent; and the maximum benefits for eligible individuals increased by 5.8 percent to \$674 per month. The operating expenses of the Other program grew 725.5 percent. This increase is primarily due to \$13.1 billion one-time economic recovery payments made to eligible Title II and Title XVI beneficiaries reported as operating expenses. The operating expenses also include administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds and administrative expense for the Medicare Saving Program and the Low Income Subsidy Program.

**Statement of Changes in Net Position:** The Statement of Changes in Net Position displayed on page 94 reflects the changes that occurred within cumulative results of operations and unexpended appropriations. The statement shows an increase of \$131.3 billion in the net position of the agency, which is attributable to financing sources in excess of the agency's net cost. At this time, tax revenues continue to exceed benefit payments made to OASI and DI beneficiaries, keeping the agency's programs solvent. We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses is 1.7 percent. One-time economic recovery payments recorded during FY 2009 in the amount of \$13.1 billion have been excluded from the agency's administrative expenses.

In FY 2009, total financing sources grew by \$20.2 billion to \$863.0 billion. The \$863 billion in total financing sources from the Statement of Changes in Net Position will not match the total financing sources in the chart below. The activity in the chart includes \$0.4 billion in exchange revenue which is reported on the Statement of Net Cost. The primary source for this growth is the \$14.8 billion of *American Recovery and Reinvestment Act* authority received in FY 2009. The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2009.



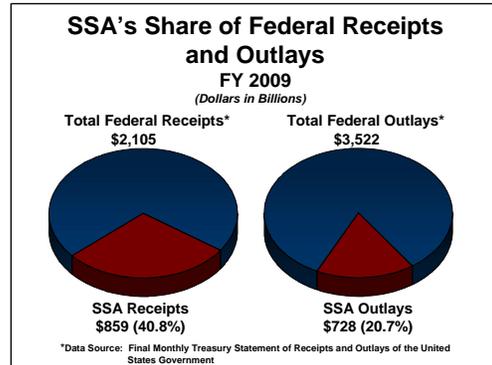
**Statement of Budgetary Resources:** The Statement of Budgetary Resources displayed on page 95 provides information on the budgetary resources available to SSA for the year and shows the status of those resources at the end of FY 2009. The statement shows that we had \$777.0 billion in budgetary resources of which \$2.6 billion remained unobligated at year-end. We recorded total net outlays of \$727.6 billion by the end of the year. Budgetary resources grew \$77.3 billion, or 11.0 percent from 2008, while net outlays increased \$69.8 billion, or 10.6 percent.

**Statement of Social Insurance:** Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 96 for the Social Security programs covers a

period of 75 years in the future and the information and disclosures presented are deemed essential to fair presentation of our financial information.

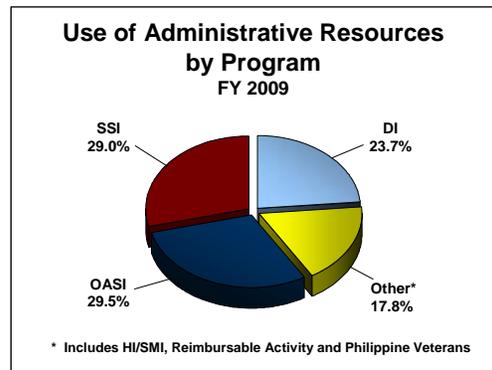
**SSA's Share of Federal Operations**

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government as shown in the chart to the right. Receipts for our programs represented 40.8 percent of the \$2.1 trillion in total Federal receipts, an increase of 7.0 percent over last year as payroll tax collections grew more rapidly than Federal income tax collections. Outlays decreased by 1.7 percent to 20.7 percent of Federal outlays.



**Use of Administrative Resources**

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2009 in terms of the programs we administer or support. Although the DI program comprises only 16.4 percent of the total benefit payments we make, it consumes 23.7 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.0 percent of the total benefit payments we make, it consumes 29.0 percent of annual administrative resources. State Disability Determination Services process claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2008 use of administrative resources by program was 30.6 percent for the OASI program, 24.4 percent for the DI program, 28.3 percent for the SSI program, and 16.7 percent for Other.



**OASI AND DI TRUST FUND SOLVENCY**

**Pay-as-you-go Financing**

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 39.6 months at the end of FY 2005 to an estimated 42.9 months at the end of FY 2009, an increase of 8.4 percent.

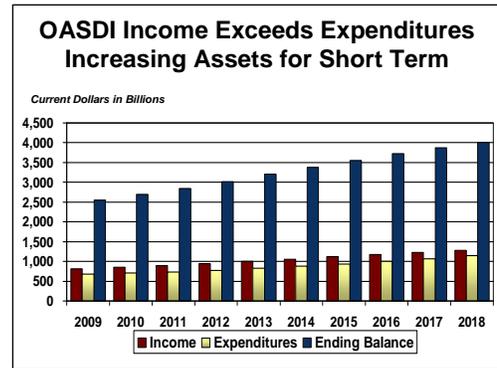
Number of Months of Expenditures Fiscal-Year-End Assets Can Pay <sup>1</sup>					
	2005	2006	2007	2008	2009
<b>OASI</b>	42.6	44.0	46.3	46.9	47.9
<b>DI</b>	25.0	25.0	23.9	22.1	19.9
<b>Combined</b>	39.6	40.9	42.4	42.5	42.9

<sup>1</sup> Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2008 and 2009 are estimates that are based on 2009 Trustees Report intermediate assumptions.

### Short-Term Financing

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2009 Trustees Report indicate that the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2009 Trustees Report, OASDI estimated expenditures and income for 2018 are 84 percent and 59 percent higher than the corresponding amounts in 2008 (\$625 billion and \$805 billion, respectively). From the end of 2008 to the end of 2018, assets are expected to grow by 66 percent, from \$2.4 trillion to \$4.0 trillion.



### Long-Term Financing

Social Security’s financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. In 2016, program cost will exceed tax revenues, and, in 2037, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security’s Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is \$5.3 trillion, which is 1.9 percent of taxable payroll and 0.7 percent of Gross Domestic Product (GDP) over the same period. Possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 129 through 144 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

## LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 92 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

# SYSTEMS AND CONTROLS



## MANAGEMENT ASSURANCES

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT FISCAL YEAR 2009

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular No. A-127, Financial Management Systems. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2009.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular No. A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2009.

Michael J. Astrue  
Commissioner  
November 9, 2009

### Agency Federal Managers' Financial Integrity Act Program

We have a well-established agency-wide management control and financial management systems program as required by FMFIA. We accomplish the objectives of the program by:

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

We have no FMFIA material weaknesses to report this year. Our managers are responsible for ensuring that effective controls are implemented in their areas of responsibility. We require senior-level executives to submit to

the Commissioner an annual statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require reporting, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

Our Executive Internal Control committee, consisting of senior managers and chaired by the Deputy Commissioner, ensures our compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the agency, the Executive Internal Control committee determines if the weakness should be considered a material weakness and thus submitted to the agency head for final determination.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. We test the controls prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of our operations and systems to provide an overall assurance that our business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circular Nos. A-123, A-127, and A-130.

### **Management Control Review Program**

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes such as enumeration, earnings, claims and post-entitlement events, and debt management. Reviews are conducted at our field offices, program service centers, hearings offices, and at the state Disability Determination Services.

We contract with an independent public accounting firm to review our management control program, evaluate the effectiveness of the program, and make recommendations for improvement. Annually, the contractor reviews operations at our central office and selected regional offices.

These reviews have indicated that our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

### **Financial Management Systems Review Program**

OMB Circular No. A-127 requires agencies to maintain a Financial Management Systems (FMS) inventory and to conduct reviews to ensure FMS requirements are met. In addition to exclusively financial systems, we also include all major programmatic systems in this FMS inventory. On a 5-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2009, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

### **Federal Financial Management Improvement Act**

The Commissioner has determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2009. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2009 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractor.

**Financial Statement Audit**

The Office of the Inspector General (OIG) conducted the audit of our FY 2009 financial statements. The OIG contracted with PricewaterhouseCoopers, LLP for certain audit services in support of the audit. The OIG found that the basic financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The OIG also found that management fairly stated that our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations, or other matters.

Summary of Results	
Clean Opinion on Financial Statements	Yes
Material Weaknesses	None
Compliance with Federal Financial Management Improvement Act (FFMIA)	Yes

However, the OIG did identify the need to improve certain of our internal controls, and reported this as a significant deficiency in their audit report. The auditors found that a policy and procedure had not been established and consistently implemented across the agency to periodically reassess the content of security access to ensure employees and contractors are given least privilege access to perform their job responsibilities. The OIG recommended that SSA management implement a policy which would require a periodic review of the content of the agency's profiles. SSA concurs with the finding, and will implement the necessary policy and procedures to strengthen the review of the content of the agency's profiles.

**Federal Information Security Management Act**

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual testing and review of their Major Information Technology Security Program. This reporting activity includes: security testing of all required controls, a review/update of the agency systems inventory, configuration management for all operating platforms, Plan of Actions and Milestones, report of all security incidents, and Information Technology security awareness training for employees and contractors. The results of these activities are reported to OMB. An independent contractor's evaluation indicated that our Security Program substantially met the established FISMA requirements.

**Financial Management Systems Strategy**

Over the years, we have worked hard to improve our financial management practices. Our strategy is to continue to develop new initiatives that will enhance the existing financial and management information systems. Our actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Going forward, our goal is to achieve government-wide and internal financial management milestones established for improvement.

Our financial management systems (FMS) inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. We maintain an inventory of twelve FMS that are categorized under the broad categories of Program Benefits, Debt Management, or Financial/Administrative.

We are continuing the long-term development of our FMS following a defined strategy. In the Program Benefits category, we are streamlining the systems and incorporating new legislative requirements, while in the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt. In the Financial/Administrative category, the Social Security Online Accounting and Reporting System, a federally-certified accounting system based on Oracle Federal Financials, was implemented as our System of Record on October 1, 2003. Throughout FY 2009, we continued to exercise the Commercial Off-the-Shelf (COTS) technology available in this software to integrate agency financial systems that traditionally integrate with the Social Security Online Accounting and Reporting System by providing real-time access to validate accounting information and fund availability. We continue to outsource some of the day-to-day maintenance of the system to Oracle on Demand, which is considered to be a first step in meeting the Financial Management Line of Business (FMLoB) requirements by OMB. During FY 2009, SSA became the first Federal agency to upgrade the COTS software to Oracle Release 12, which is a major milestone toward meeting FMLoB requirements.

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