

OTHER REPORTING REQUIREMENTS



SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Achieving Our Mission* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the agency:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of Disability Determination Services (DDS) determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the state DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Review					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	96.3%	96.9%	97.7%	98.3%
No. of cases reviewed	37,101	35,433	33,329	32,292	34,378
No. of cases returned to the DDSs due to error or inadequate documentation	1,389	1,326	1,028	729	601

Title II Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow or continue not returned to the DDSs for correction	95.9%	96.0%	96.3%	97.3%	97.9%
No. of cases reviewed	328,189	305,233	307,884	338,440	356,956
No. of cases returned to the DDSs due to error or inadequate documentation	13,338	12,118	11,225	9,203	7,481

Title XVI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	97.4%	98.1%	98.3%
No. of cases reviewed	N/A	N/A	80,784	105,203	114,645
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	2,117	2,018	1,900

Continuing Disability Reviews

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Overall Accuracy	94.9%	93.5%	95.6%	96.6%	97.7%
Continuance Accuracy	95.3%	93.8%	96.4%	97.6%	98.6%
Cessation Accuracy	93.3%	92.4%	93.5%	93.2%	94.8%

OASI and SSI Quality Assurance Reviews

One of our four *Government Performance and Results Act* strategic goals is ‘preserve the public’s trust in our programs.’ One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 65-68.

SSI Redeterminations

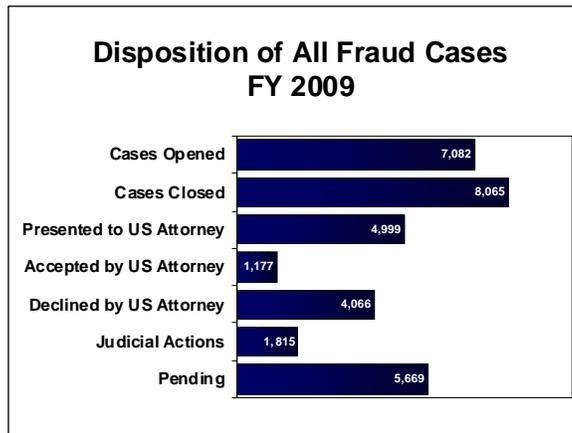
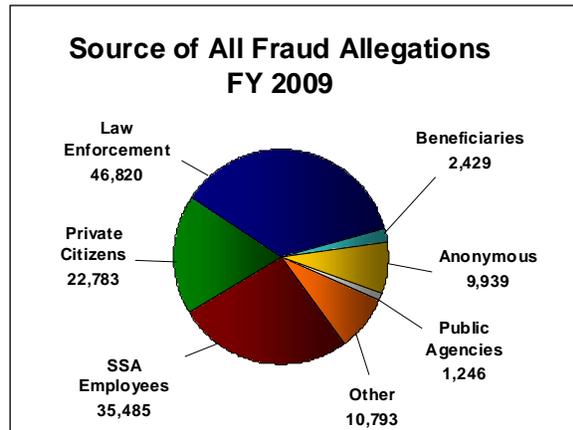
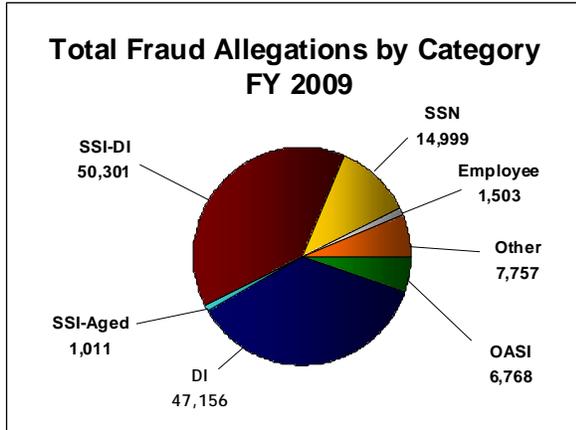
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits and thus must be reflected in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2009. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on page 63.

Payment Safeguard Activities

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, we invested an estimated \$1 billion in processing nearly nine million cases in FY 2008. Current estimates indicate that these payment safeguard activities provided benefits to the OASDI trust funds and the United States Treasury of over \$6.8 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2009 results of these payment safeguard activities will be available in 2010.

The Office of the Inspector General’s Anti-Fraud Activities

In FY 2009, as part of our fraud detection and prevention program for safeguarding the agency’s assets, we worked with our Office of the Inspector General, the U.S. Attorney, and other State and local agencies on cases involving fraud, waste, and abuse. The charts below summarize the Office of the Inspector General’s involvement in fraud activities throughout the fiscal year.



BIENNIAL REVIEW OF USER FEE CHARGES

Summary of Fees

User fee revenues of \$346 million and \$413 million in FY 2008 and FY 2009, respectively, accounted for less than one percent of our total financing sources. Over 78 percent of user fee revenues are derived from agreements with 23 states and the District of Columbia to administer some or all of the states’ supplemental SSI benefits. During FY 2009, we charged a fee of \$10.45 per payment for the cost of administering state supplemental SSI payments. This fee will remain the same for FY 2010. The user fee will be adjusted annually based on the Consumer Price Index unless we determine a different rate is appropriate for the states. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Our review of fees during FY 2008 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. We are planning to perform another review of these fees during FY 2010.

DEBT MANAGEMENT

During FY 2009, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. In FY 2009, we collected \$3.06 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the *Improper Payments Information Act of 2002 Detailed Report* immediately following this section.

In addition, we continue to use the system developed in FY 2002 to analyze and monitor our debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. We recognize that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. We have underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations. Collection data shown in the *Performance Section* and the *Improper Payments Information Act Detailed Report* only include legally defined overpayments in which beneficiaries have certain due process rights.

FY 2009 Quarterly Debt Management Activities (In Millions)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	\$14,886.8	\$15,145.3	\$14,771.9	\$14,999.6
Total collections (cumulative)	(936.3)	(1,772.1)	(2,613.4)	(3,465.8)
Total write-offs (cumulative)	(344.7)	(572.5)	(817.7)	(1,076.7)
TOP collections (cumulative)	(3.5)	(49.3)	(77.6)	(81.8)
Aging schedule of delinquent debts:				
- 180 days or less	1,357.8	1,163.3	1,129.1	1,114.6
- 181 days to 10 years	2,609.7	2,682.0	2,686.7	2,722.8
- Over 10 years	102.9	110.2	121.7	133.0
- Total delinquent debt	\$4,070.4	\$3,955.5	\$3,937.5	\$3,970.4

Debt Management Activities					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total debt outstanding end of FY (millions)	\$13,154.8	\$13,662.3	\$14,253.4	\$14,912.3	\$14,999.6
% of outstanding debt					
- Delinquent	21.8%	23.9%	24.6%	25.1%	26.5%
- Estimated to be uncollectible	24.2%	24.4%	27.4%	27.1%	27.5%
New debt as a % of benefit outlays	0.8%	0.9%	0.8%	0.9%	0.8%
% of debt collected	18.5%	20.2%	20.1%	21.3%	23.4%
Cost to collect \$1	\$0.09	\$0.08	\$0.07	\$0.07	\$0.06
% change in collections from prior FY	9.5%	13.4%	3.5%	11.1%	10.4%
% change in delinquencies from prior FY	15.3%	13.9%	7.6%	6.5%	6.3%
Collections & write-offs as a % of Total Debt	19.3%	21.2%	20.6%	21.1%	22.1%
Collections as a % of clearances	74.3%	71.1%	74.4%	75.9%	76.5%
Total write-offs of debt (in millions)	\$841.8	\$1,123.6	\$986.1	\$1,010.2	\$1,076.7
Average number of months to clear receivables:					
- OASI	20	18	18	18	18
- DI	30	29	39	40	42
- SSI	42	43	42	36	34