

# 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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