



## Management Assurances

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT FISCAL YEAR 2010

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, 2010 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, 2010.

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, 2010.

Michael J. Astrue  
Commissioner  
November 8, 2010

### 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. 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 (EIC) 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 EIC 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 management reviews the new or changed processes and systems 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.

Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

### ***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, processing 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 five-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2010, 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 2010. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2010 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. Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

## FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with Grant Thornton, LLP for the audit of our FY 2010 financial statements. The auditor found we present fairly the basic financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America for Federal entities. The auditor also found management fairly stated our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations, or other matters.

However, the auditor did identify certain deficiencies in internal control, that when aggregated, they considered a significant deficiency. The auditors found that 1) we did not consistently comply with policies and procedures to reassess, periodically, the content of security access profiles; 2) some employees and contractors had system access in excess of access required to complete their job responsibilities; and 3) certain mainframe configurations increased the risk of unauthorized access. Grant Thornton, LLP recommends SSA management implement a policy which would require a periodic review of the content of the agency's profiles, and controls to test and monitor configurations on the mainframe. We concur with the recommendations, and we will implement the necessary measures to address the deficiencies.

## 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. To help ensure the privacy and security of our information, we conducted security testing or reviews on all of our major IT systems. We provided agency-wide and component-specific security awareness training to employees and contractors, including our annual Security Awareness Day for headquarters staff held in October 2010. We are developing role-based security training standards for all employees and contractors. Finally, we are implementing new Federal standards for continuously monitoring the performance of our security controls as required by FISMA. Our FISMA reporting activities include reviewing and updating our systems inventory, configuration management for all operating platforms, as well as tracking and remediating security incidents.

## FINANCIAL MANAGEMENT SYSTEMS STRATEGY

Over the years, we have worked hard to improve our financial management practices. We will 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 Governmentwide and internal financial management milestones established for improvement.

Our 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 systems and incorporating new legislative requirements. In the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt.

In the Financial/Administrative category, we implemented the Social Security Online Accounting and Reporting System (SSOARS), a federally-certified accounting system based on Oracle Federal Financials, as our System of Record on October 1, 2003. Throughout FY 2010, we continued to build on a Service Oriented Architecture approach to integrate several external systems with SSOARS. These integrations have historically been designed and implemented as individual systems using a non-standardized approach and, consequently, maintenance of these systems has become more challenging. Using the latest web services technology, we are standardizing the remaining web services to eliminate duplication of code and to bring web services under a common Gateway Framework. This effort will enable SSA to establish a standard framework for all future integrations, reduce long-term maintenance costs, and improve operational efficiency.

We also upgraded our existing accounting system to Release 12.1.2, which brings the system up to the highest standard for the current release of Oracle Federal Financials. Finally, we continue to outsource some of the day-to-day maintenance of the system to Oracle on Demand, which is considered a first step in meeting OMB's Shared Services requirements.