OTHER REPORTING REQUIREMENTS

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Information Systems Controls	1	0	1	0	0
Total Material Weaknesses	1	0	1	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
1. System Requirements	No noncompliance noted	No noncompliance noted
2. Accounting Standards	No noncompliance noted	No noncompliance noted
3. USSGL at Transaction Level	No noncompliance noted	No noncompliance noted

Entitlement Reviews and Office of the Inspector General Anti-Fraud Activities

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we 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. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

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. We conduct these reviews prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows the quality assurance accuracy rates for FY 2009 through FY 2013.

Quality Assurance Reviews					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	98.3%	98.6%	98.4%	98.5%	98.1%
Number of cases reviewed	34,378	32,451	32,807	32,262	31,672
Number of cases returned to the DDSs due to error or inadequate documentation	601	445	524	476	608

DI Preeffectuation Reviews

We also perform preeffectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases we review 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 the DI preeffectuation accuracy rates for FY 2009 through FY 2013.

DI Preeffectuation Reviews					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	97.9%	97.8%	97.4%	97.4%	97.1%
Number of cases reviewed	356,956	378,712	390,480	362,250	333,159
Number of cases returned to the DDSs due to error or inadequate documentation	7,481	8,506	10,246	9,414	9,619

SSI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI preeffectuation accuracy rates for FY 2009 through FY 2013.

SSI Preeffectuation Reviews					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Percent of State DDS decisions to allow not returned to the DDSs for correction	98.3%	98.4%	97.9%	97.9%	97.7%
Number of cases reviewed	114,645	124,045	124,401	116,681	109,645
Number of cases returned to the DDSs due to error or inadequate documentation	1,900	2,023	2,612	2,430	2,530

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 following table shows the CDR accuracy rates for FY 2009 through FY 2013.

CDR Accuracy					
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Overall Accuracy	97.7%	97.8%	97.7%	97.9%	97.2%
Continuance Accuracy	98.6%	98.4%	98.3%	98.6%	98.0%
Cessation Accuracy	94.8%	96.0%	96.0%	95.8%	95.1%

OASDI and SSI Quality Assurance Reviews

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2009 through FY 2012. Data for FY 2013 is not available at this time. We will report the FY 2013 data in the *FY 2014 Agency Financial Report.*

OASDI Accuracy

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Overpayment Accuracy	99.6%	99.6%	99.7%	99.8%	Data not yet available
Underpayment Accuracy	99.9%	99.8%	99.9%	99.9%	Data not yet available

SSI Accuracy

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Overpayment Accuracy	91.6%	93.3%	92.7%	93.7%	Data not yet available
Underpayment Accuracy	98.4%	97.6%	98.2%	98.2%	Data not yet available

SSI Redeterminations

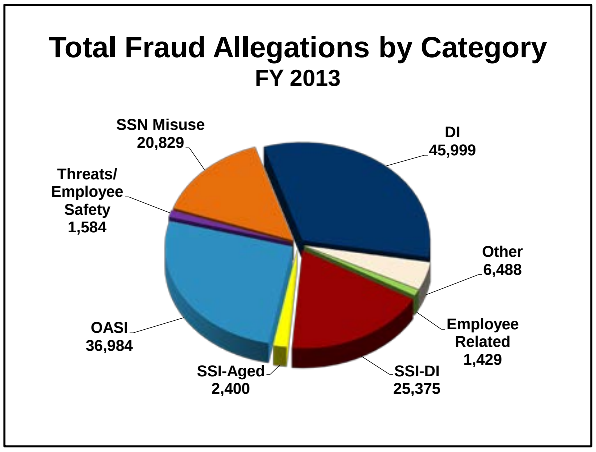
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2009 through FY 2013.

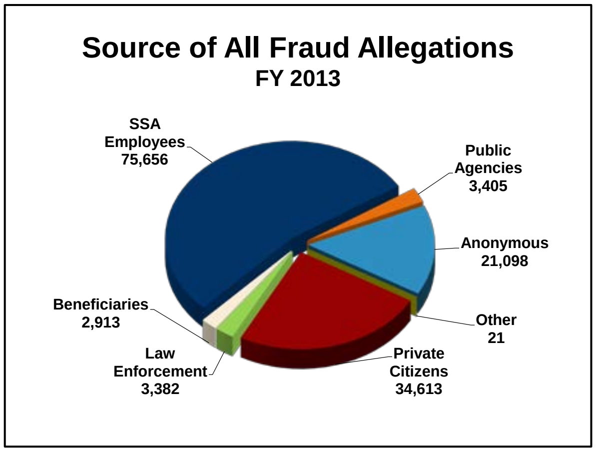
SSI Redeterminations

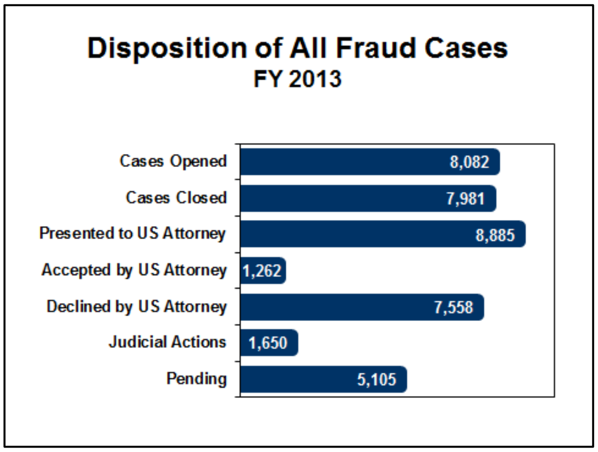
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Number of redeterminations completed	1,730,575	2,465,878	2,456,830	2,624,170	2,634,183

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

In FY 2013, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of $373 and $391 million in FY 2012 and FY 2013, respectively, accounted for less than 1 percent of our total financing sources. We derive over 77 percent of user fee revenues from agreements with 22 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2013, we charged a fee of $11.12 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.32 for FY 2014. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines 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 Federal agencies to conduct biennial reviews 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. Based on our review of fees during FY 2012, we identified changes in costs that affect current fees and agency activities. A review of these changes resulted in a uniform standard fee structure for non-programmatic workloads. We are planning to perform another review of these fees during FY 2014.

Debt Management

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide definitions of certain line items immediately following the FY 2013 Quarterly Debt Management Activities Programmatic and Administrative Activity table. For more information on our agency's effort to curb overpayments, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified a Title II system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 51,000 debts are affected by payment plans extending beyond the year 2049. The total gross value of the post year 2049 receivable amounts is estimated to be approximately $600 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. This system limitation prevents us from tracking what we estimate to be approximately $43 million in accounts receivable in FY 2013. We are working to address the system limitation and have determined that the estimated $43 million in post year 2049 debt is uncollectible and total accounts receivable are correctly reflected in the financial statements and the tables that follow.

Debt Management Activities Programmatic and Administrative Activity					
Dollar Totals (in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total receivables	$15,000	$15,212	$15,854	$16,588	$17,046
New receivables	5,818	5,736	6,102	5,955	5,616
Total collections	(3,561)	(3,650)	(3,633)	(3,663)	(3,817)
Adjustments	(1,093)	(888)	(809)	(536)	(391)
Total write-offs	(1,077)	(986)	(1,018)	(1,022)	(950)
- Waivers	(475)	(497)	(546)	(502)	(421)
- Terminations	(602)	(489)	(472)	(520)	(529)
Non delinquent debt	11,030	11,055	11,190	11,589	11,268
Total delinquent debt	$3,970	$4,157	$4,664	$4,999	$5,778
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	73.5%	72.7%	70.6%	69.9%	66.1%
- Delinquent	26.5%	27.3%	29.4%	30.1%	33.9%
% of debt estimated to be uncollectible[1]	27.5%	27.7%	27.8%	27.3%	26.3%
% of debt collected	23.8%	24.0%	22.9%	22.1%	22.4%
% change in collections from prior fiscal year	5.8%	2.5%	-0.5%	0.8%	4.2%
% change in delinquencies from prior fiscal year	6.3%	4.7%	12.2%	7.2%	15.6%
Clearances as a % of total receivables	30.9%	30.5%	29.3%	28.2%	28.0%
- Collections as a % of clearances	76.8%	78.7%	78.1%	78.2%	80.1%
- Write-offs as a % of clearances	23.2%	21.3%	21.9%	21.8%	19.9%
Other Analysis					
Cost to collect $1	$0.06	$0.07	$0.08	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	18	16	15	15	15
- DI	42	45	38	49	66
- SSI	34	35	35	36	38

1. The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the financial statements.

FY 2013 Quarterly Debt Management Activities Programmatic and Administrative Activity				
Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$16,612	$16,659	$17,230	$17,046
New receivables	1,064	2,466	4,367	5,616
Total collections	(939)	(1,872)	(2,759)	(3,817)
Adjustments	114	(72)	(267)	(391)
Total write-offs	(215)	(451)	(699)	(950)
- Waivers	(96)	(205)	(316)	(421)
- Terminations	(119)	(246)	(383)	(529)
Aging schedule of debts:				
- Non delinquent debt	11,236	11,472	12,096	11,268
- Delinquent debt				
- 180 days or less	1,338	1,159	1,208	1,278
- 181 days to 10 years	3,672	3,651	3,526	4,052
- Over 10 years	366	377	400	448
- Total delinquent debt	$5,376	$5,187	$5,134	$5,778

Definitions:

1. Adjustments – Program debt adjustments represent: (1) written-off debts, by way of terminations, that we reinstate for collections; (2) changes in debts when we update debtor accounts with new information; and (3) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (1) is without fault in causing the debt; and (2) recovery would either defeat the purpose of the act or be against equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.
3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (1) the debtor will not repay the debt or alleges they cannot pay the debt; (2) the debtor cannot be located after diligent search; or (3) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the Treasury Offset Program and Administrative Wage Garnishment. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.
4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (1) the date we establish an OASDI debt; (2) the date of the initial overpayment notice for a SSI debt; (3) the date of the last voluntary payment; (4) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (5) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.