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
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 Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance 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 our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal year (FY) 2010 through FY 2014.

Quality Assurance Reviews					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	98.6%	98.4%	98.5%	98.1%	98.1%
Number of cases reviewed	32,451	32,807	32,262	31,672	29,780
Number of cases returned to the DDSs due to error or inadequate documentation	445	524	476	608	577

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 it 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 (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI preeffectuation accuracy rates for FY 2010 through FY 2014.

DI Preeffectuation Reviews					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	97.8%	97.4%	97.4%	97.1%	96.9%
Number of cases reviewed	378,712	390,480	362,250	333,159	316,306
Number of cases returned to the DDSs due to error or inadequate documentation	8,506	10,246	9,414	9,619	9,689

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 2010 through FY 2014.

SSI Preeffectuation Reviews					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Percent of State DDS decisions to allow not returned to the DDSs for correction	98.4%	97.9%	97.9%	97.7%	97.6%
Number of cases reviewed	124,045	124,401	116,681	109,645	105,628
Number of cases returned to the DDSs due to error or inadequate documentation	2,023	2,612	2,430	2,530	2,562

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, 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 2010 through FY 2014.

CDR Accuracy					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Overall accuracy	97.8%	97.7%	97.9%	97.2%	97.6%
Continuance accuracy	98.4%	98.3%	98.6%	98.0%	98.3%
Cessation accuracy	96.0%	96.0%	95.8%	95.1%	95.5%

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 2010 through FY 2013. Data for FY 2014 is not available at this time. We will report the FY 2014 data in our *FY 2015 Agency Financial Report.*

OASDI Accuracy					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Overpayment accuracy	99.6%	99.7%	99.8%	99.8%	Data not yet available
Underpayment accuracy	99.8%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Overpayment accuracy	93.3%	92.7%	93.7%	92.4%	Data not yet available
Underpayment accuracy	97.6%	98.2%	98.2%	98.3%	Data not yet available

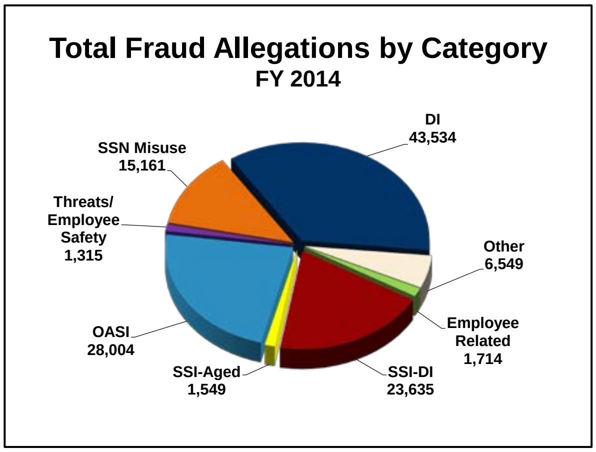
SSI REDETERMINATIONS

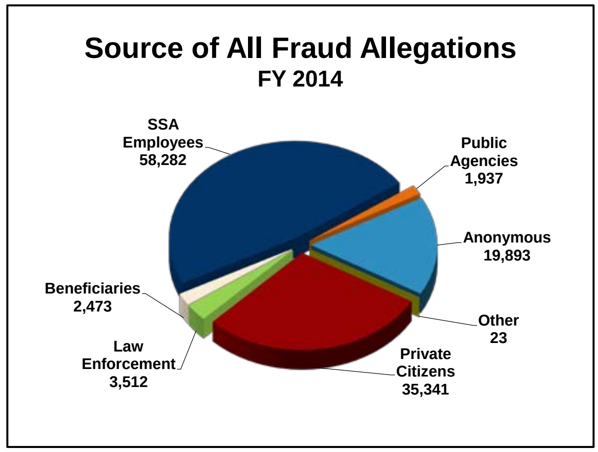
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure 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 2010 through FY 2014.

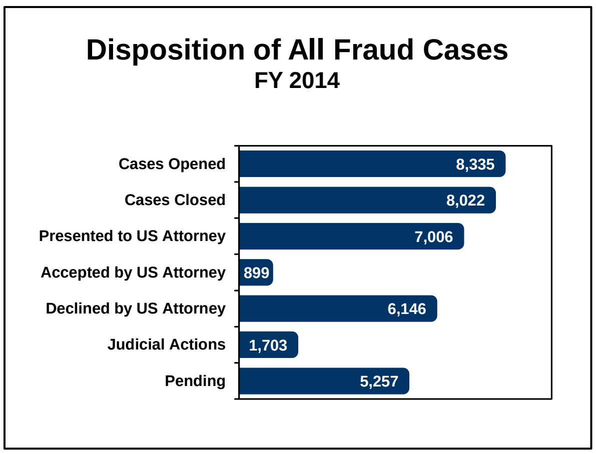
SSI Redeterminations (in millions)					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Number of redeterminations completed	2.466	2.457	2.624	2.634	2.628

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2014, we worked with our Office of the Inspector General (OIG), the 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

In FY 2013 and FY 2014, we earned $391 million and $389 million in user fees, respectively. This revenue accounted for less than 1 percent of our total financing sources. We derive over 78 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 2014, we charged a fee of $11.32 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.55 for FY 2015. 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 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. Based on our FY 2014 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2012. We are planning to perform another review of these fees during FY 2016.

FREEZE THE FOOTPRINT

In June 2010, the President issued Executive Order 13327, *Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency*. As a result, the Office of Management and Budget (OMB) issued a government-wide mandate that no Federal agency may increase total square footage or operating costs associated with offices. Called Freeze the Footprint, this initiative established a baseline using each agency's current total square footage as of FY 2012.

In accordance with Freeze the Footprint guidelines, we developed and implemented a *Real Property Cost Savings and Innovation Plan* to guide the agency in our efforts to comply with OMB's requirements. The agency monitors the continuing implementation of the plan and submits to OMB an Annual Agency Evaluation describing the overall approach in managing our real property footprint. The information below reflects the overall change in the agency's real property footprint from the FY 2012 baseline, as well as strategies we are pursuing to comply with the mandate.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, the General Services Administration (GSA) acts as the landlord for the Federal civilian government, and is charged with promulgating regulations governing the acquisition, use, and disposal of real property. We work closely with GSA to manage our portfolio given changing workloads and the best business case for the agency.

Square Footage					
	FY 2012 Baseline	FY 2013	Change from Baseline	FY 2014*	Change from Baseline
Usable square footage	26,367,253	26,031,626	-335,627 or 1.3%	25,173,185	-1,194,068 or 4.5%

* Estimated, as the final usable square footage is not available from GSA until the second quarter of FY 2015.

Operation and Maintenance Cost – Owned and Direct Lease Buildings					
	FY 2012 Reported Cost	FY 2013	Change	FY 2014	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

We are pursuing the following strategies to comply with OMB's Freeze the Footprint policy:

- Analyzing rent trend projections while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels; and

- Vacating 4 headquarters leased buildings in FY 2015 and FY 2016 to reduce our portfolio by approximately 260,000 usable square feet.

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 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 an OASDI 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 55,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $646 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. We are working to address the system limitation, however the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

FY 2014 Quarterly Debt Management Activities
Programmatic and Administrative Activity

Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$17,319	$17,613	$18,145	$18,252
New receivables	1,074	2,523	4,632	5,976
Total collections	(875)	(1,775)	(2,677)	(3,686)
Adjustments	247	200	(263)	(309)
Total write-offs	(173)	(381)	(593)	(775)
- Waivers	(82)	(175)	(278)	(373)
- Terminations	(91)	(206)	(315)	(402)
Aging schedule of debts:				
- Non delinquent debt	11,153	11,568	12,009	11,895
- Delinquent debt				
- 180 days or less	1,386	1,202	1,268	1,398
- 181 days to 10 years	4,302	4,349	4,343	4,406
- Over 10 years	478	494	525	553
- Total delinquent debt	$6,166	$6,045	$6,136	$6,357

Debt Management Activities Programmatic and Administrative Activity					
Dollar Totals (in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total receivables	$15,212	$15,854	$16,588	$17,046	$18,252
New receivables	5,736	6,102	5,955	5,616	5,976
Total collections	(3,650)	(3,633)	(3,663)	(3,817)	(3,686)
Adjustments	(888)	(809)	(536)	(391)	(309)
Total write-offs	(986)	(1,018)	(1,022)	(950)	(775)
- Waivers	(497)	(546)	(502)	(421)	(373)
- Terminations	(489)	(472)	(520)	(529)	(402)
Non delinquent debt	11,055	11,190	11,589	11,268	11,895
Total delinquent debt	$4,157	$4,664	$4,999	$5,778	$6,357
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	72.7%	70.6%	69.9%	66.1%	65.2%
- Delinquent	27.3%	29.4%	30.1%	33.9%	34.8%
% of debt estimated to be uncollectible*	27.7%	27.8%	27.3%	26.3%	25.5%
% of debt collected	24.0%	22.9%	22.1%	22.4%	20.2%
% change in collections from prior fiscal year	2.5%	-0.5%	0.8%	4.2%	-3.4%
% change in delinquencies from prior fiscal year	4.7%	12.2%	7.2%	15.6%	10.0%
Clearances as a % of total receivables	30.5%	29.3%	28.2%	28.0%	24.4%
- Collections as a % of clearances	78.7%	78.1%	78.2%	80.1%	82.6%
- Write-offs as a % of clearances	21.3%	21.9%	21.8%	19.9%	17.4%
Other Analysis					
Cost to collect $1	$0.07	$0.08	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	16	15	15	15	15
- DI	45	38	49	66	55
- SSI	35	35	36	38	39

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

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) 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: (a) is without fault in causing the debt; and (b) 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: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) 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: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.