

MANAGEMENT'S DISCUSSION AND ANALYSIS



The *Management's Discussion and Analysis (MD&A)* section is required supplementary information to the financial statements and provides a high-level overview of the Social Security Administration. The MD&A describes who we are, what we do, and how well we meet our established goals.

The *Overview of the Social Security Administration* section highlights our mission as set forth in our *Agency Strategic Plan*. In this section, we identify the major programs we administer and provide a brief explanation of our organization.

The next section, *Overview of Our Fiscal Year 2015 Goals and Results*, provides a high-level discussion of our goals and our key mission results. This section links our agency-wide Strategic Goals with our Priority Goals, displays our fiscal year 2015 operating expenses by Strategic Goal, highlights how our results contribute to achieving our Strategic Goals and Objectives, and discusses how we plan to address the challenges we face.

In addition, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. We provide an overview of our financial data and explain the major sources and uses of our funds, as well as the use of these resources in terms of both program and function. We also provide an overview of our Social Insurance data, discuss the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, and indicate the projections for short-term and long-term financing of the OASI and DI Trust Funds. We end this section with a summary of our progress in addressing improper payments.

Finally, the *Systems and Controls* section describes the actions we have taken to address our management control responsibilities. The Management Assurances section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. We also address the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

Our Mission

Deliver Social Security services that meet the changing needs of the public

Social Security Benefits America

Considered by many to be one of the most successful large-scale Federal programs in our Nation's history, the programs we administer provide a financial safety net for millions of Americans. In fact, about 9 out of 10 individuals age 65 and older receive Social Security benefits. During fiscal year 2015, we paid more than \$932 billion to almost 65 million beneficiaries each month.

Old-Age, Survivors, and Disability Insurance Program

Old-Age and Survivors Insurance Program

Today, most people plan their retirement based on the date they can receive their Social Security benefits. The Old-Age and Survivors Insurance program (which provides what most people think of as their Social Security benefit), created in 1935, provides retirement and survivors benefits to qualified workers and their families. Working and paying Social Security taxes earns workers credits toward Social Security benefits. Most people need 40 credits, or 10 years of covered work, to qualify for retirement benefits.

A person qualifies for full retirement benefits between the ages of 65 and 67, depending on the year he or she was born. Reduced retirement benefits are payable as early as age 62. Certain members of retired workers' families may also receive benefits. Spouses (including divorced spouses), minor children, and children who became disabled before age 22 may also be eligible for benefits.

Social Security also provides income for families of workers who die. We added survivor's benefits in 1939 and benefits for disabled widows and widowers in 1968. Widows, widowers (and divorced widows and widowers), dependent parents, and children may be eligible for survivor's benefits. In fact, 98 of every 100 children could get benefits if a working parent dies. Social Security pays more benefits to children than any other Federal program.

Disability Insurance Program

Social Security Disability Insurance provides benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death. People who have worked long enough and paid Social Security taxes and certain members of their families can qualify for Social Security Disability Insurance benefits. The disability program began in 1956 as a benefit for disabled workers between the ages of 50 and full retirement. The program expanded in 1960 to include disabled workers of all ages.

Supplemental Security Income Program

The Supplemental Security Income (SSI) program, established in 1972, is a Federal program providing monthly payments to people with limited incomes and resources who are aged, blind, or disabled. Adults and children under the age of 18 can receive payments based on disability or blindness.

General tax revenue, not workers' Social Security taxes, funds the SSI program.

How Social Security Benefited America in Fiscal Year 2015

- On average each month, almost 65 million individuals received Social Security or Federal SSI benefits. A combined total of about \$932 billion was paid in Social Security and Federal SSI benefits;
- About 88 percent of the American population age 65 and over received Social Security benefits;
- Among elderly Social Security beneficiaries, 52 percent of married couples and 74 percent of unmarried individuals relied on Social Security for 50 percent or more of their income;
- About 96 percent of persons age 20-49 who worked in covered employment had survivors protection for their young children and a surviving spouse caring for the children; and
- On average each month, more than 1.3 million blind or disabled children under age 18 received Federal SSI payments.

How We Served America in Fiscal Year 2015

- Issued 17 million new and replacement Social Security cards;
- Performed over 1.9 billion automated Social Security number verifications;
- Posted over 275 million earnings items to workers' records;
- Handled nearly 37 million calls on our National 800 Number;
- Assisted 41 million visitors in field offices;
- Mailed nearly 350 million notices;
- Registered over 6.64 million users for *my Social Security*, a personalized online account;
- Processed over 87 million online transactions;
- Received approximately 5 million retirement, survivor, and Medicare applications;
- Completed over 2.7 million initial disability claims;
- Completed 723,485 reconsideration disability claims;
- Through data exchange partnerships with the Centers for Medicare and Medicaid Services, we identified over \$49 million in estimated incorrect payments;
- Used predictive modeling in the redetermination process to prevent and recover an estimated \$3.9 billion in expected retroactive and five-year future recurring SSI overpayments;
- Provided online access to the Social Security Benefit Statement, allowing beneficiaries to access their statements online more than 624,000 times;
- Completed 150,673 Appeals Council requests for review; and
- Completed 663,129 requests for hearings.

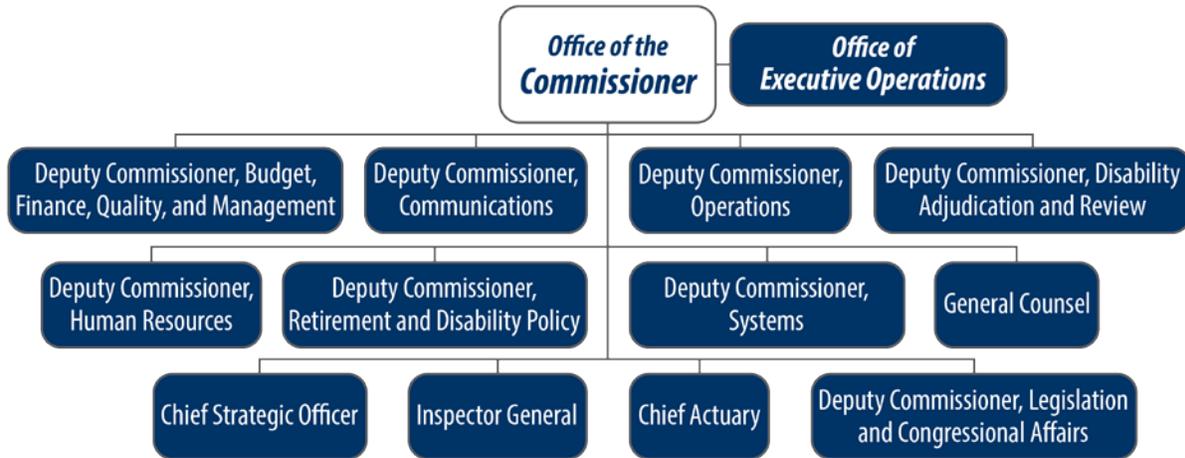
Our Organization

Serving the American public requires a vast network of facilities, technology, and skilled staff. Every day, more than 65,000 Federal and State employees provide service to our customers. Nationwide, we have a network of more than 1,500 offices, including regional offices, field offices, Social Security card centers, teleservice centers, processing centers, hearing offices (including satellite offices and National Hearing Centers), the Appeals Council, and our headquarters in Baltimore, Maryland. Internationally, we deliver services in U.S. embassies in hundreds of countries.

Customers receive in-person service mainly at our field offices and Social Security card centers. Our teleservice centers primarily handle calls to our National 800 Number. Employees in our processing centers typically handle Social Security retirement, survivors, and disability payments. These employees also provide a wide range of other services, including handling telephone calls to our National 800 Number. To locate your nearest local office, visit the [Social Security Office Locator \(www.secure.ssa.gov/ICON/main.jsp\)](http://www.secure.ssa.gov/ICON/main.jsp).

We have created strong partnerships with State agencies, and we depend on State employees in 54 State and territorial disability determination services offices to make disability determinations. Administrative law judges in our hearing offices and the administrative appeals judges at our Appeals Council decide appeals involving Social Security and SSI issues. For more information about our components and their functions, visit our [Organizational Structure webpage \(www.socialsecurity.gov/org\)](http://www.socialsecurity.gov/org).

The following chart illustrates our organizational structure:



OVERVIEW OF OUR FISCAL YEAR 2015 GOALS AND RESULTS

How We Manage Performance

Our Performance Framework: The *Government Performance and Results Modernization Act of 2010* (GPRMA) describes how agency strategic plans and goals should align with presidential terms and broader Federal efforts.

Setting goals and measuring our performance is vital to our success. We define our performance framework in the [Fiscal Year \(FY\) 2014-2018 Agency Strategic Plan \(www.socialsecurity.gov/asp\)](http://www.socialsecurity.gov/asp). Our *Agency Strategic Plan* (ASP) defines our Strategic Goals and details underlying objectives, strategies, and relevant risks and mitigation plans.

Our Strategic Goals are:

- Strategic Goal 1: Deliver Innovative, Quality Services;
- Strategic Goal 2: Strengthen the Integrity of Our Programs;
- Strategic Goal 3: Serve the Public through a Stronger, More Responsive Disability Program;
- Strategic Goal 4: Build a Model Workforce to Deliver Quality Service; and
- Strategic Goal 5: Ensure Reliable, Secure, and Efficient Information Technology Services.

Our Planned Performance: In February 2015, we published our [Annual Performance Plan for FY 2016, Revised Performance Plan for FY 2015, and Annual Performance Report for FY 2014 \(www.socialsecurity.gov/agency/performance\)](http://www.socialsecurity.gov/agency/performance) as a part of the [President's FY 2016 Budget Request \(www.socialsecurity.gov/budget/\)](http://www.socialsecurity.gov/budget/). Collectively we refer to this combined document as our *Annual Performance Report* (APR). The APR outlines our tactical plans for achieving the goals and objectives in our ASP and finalizes our performance commitments for FY 2015.

Each September, a draft of the APR accompanies our budget submission to the Office of Management and Budget (OMB). The draft APR provides our priorities and key initiatives for the next two fiscal years, the performance measures we will use to evaluate our success, and our progress to date on current fiscal year commitments. The budgeted workloads published in our APR correspond to the key workload measures contained in the [FY 2015 Operating Plan \(www.socialsecurity.gov/budget/FY15Files/2015OP.pdf\)](http://www.socialsecurity.gov/budget/FY15Files/2015OP.pdf).

Our Actual Performance and Program Results: We update the APR after the close of the fiscal year to provide performance results for the previous fiscal year. We will issue the final APR, containing our actual FY 2015 results, in February 2016. The final APR will be available on our [Budget Estimates and Related Information website \(www.socialsecurity.gov/budget/\)](http://www.socialsecurity.gov/budget/).

This *Agency Financial Report* summarizes our key initiatives, overall performance results, and financial activities in carrying out our mission in FY 2015. The following table shows our operating expenses by Strategic Goal.

**FY 2015 Operating Expenses by Strategic Goal
(Dollars in Millions)**

Deliver Innovative, Quality Services	\$ 2,710
Strengthen the Integrity of Our Programs	\$ 2,007
Serve the Public through a Stronger, More Responsive Disability Program	\$ 5,557
Build a Model Workforce to Deliver Quality Service	\$ 661
Ensure Reliable, Secure, and Efficient Information Technology Services	\$ 1,038

Our Priorities: In support of the GPRMA, we established four Agency Priority Goals (APG). We routinely review our progress and take actions to improve our outcomes, stimulate innovation, and deliver favorable results.

Our four APGs for FY 2014 - FY 2015 are:

- APG 1: Improve access to our services by increasing the number of citizens who complete their business with us online;
- APG 2: Deliver a world-class customer experience by expanding the use of video technology to hold hearings;
- APG 3: Provide the public with access to personalized information by increasing the number of established *my Social Security* accounts; and
- APG 4: Reduce the percentage of improper payments made under the Supplemental Security Income (SSI) program.

Our APGs are aggressive 24-month goals and reflect the performance improvement priorities of our executive leadership, as well as those of the Administration. You can find additional information on our APG performance by visiting [Performance.gov \(www.performance.gov/\)](http://Performance.gov).

Established by GPRMA, Cross-Agency Priority (CAP) goals accelerate progress on presidential priority areas. Multiple agencies actively collaborate to achieve results in these areas.

OMB established CAP goals based on input from Federal agencies and congressional committees. These goals reflect the President’s second-term priorities.

There are seven mission-oriented and eight management-focused CAP goals. Each CAP goal has two senior leaders – one within the Executive Office of the President and one within a key delivery agency. The Social Security Administration and OMB co-lead the Customer Service CAP goal.

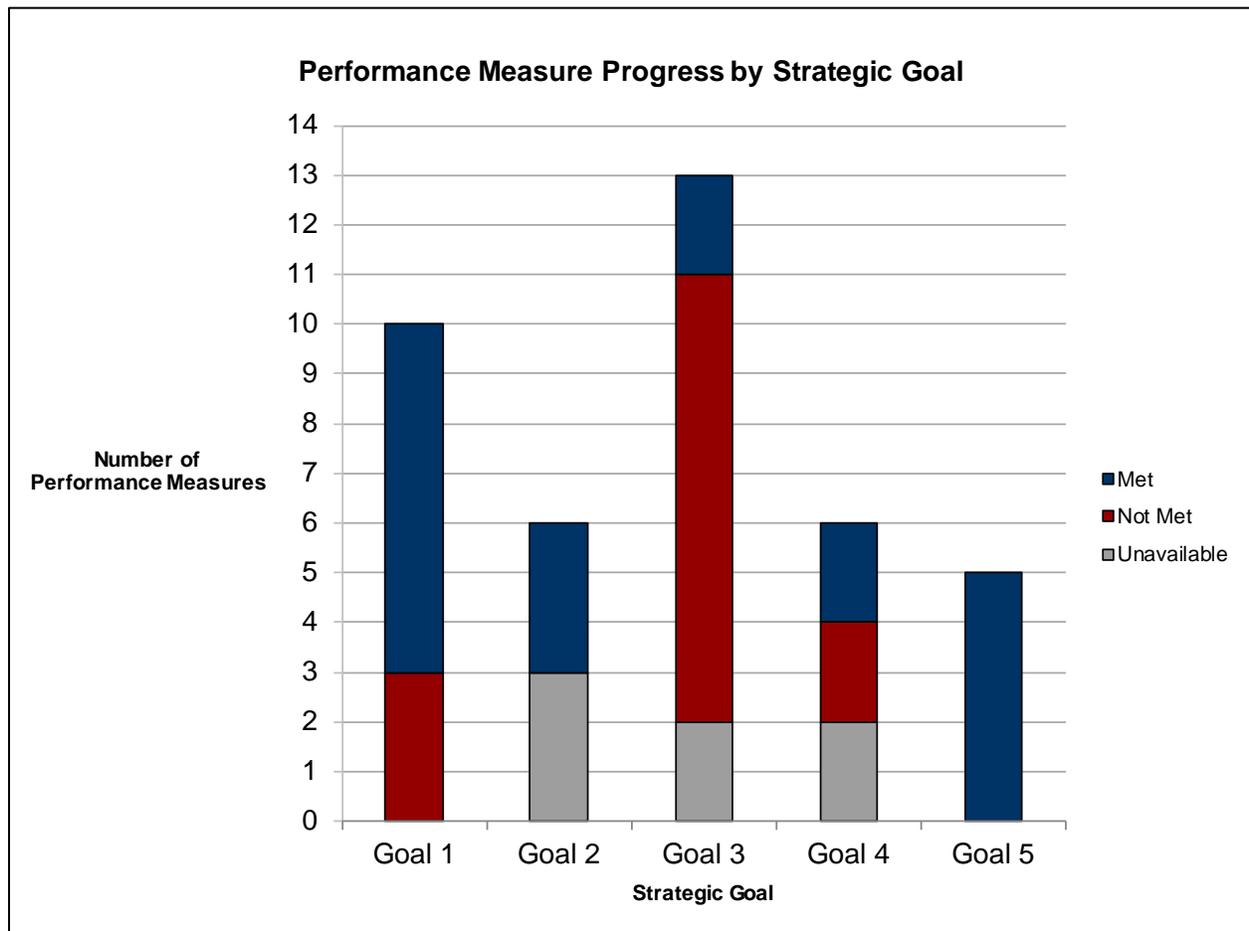
Additional information about CAP goals and our participation in them is available on [Performance.gov \(www.performance.gov/clear_goals\)](http://Performance.gov).

Summary of Fiscal Year 2015 Performance

This summary highlights the approaches we used to achieve the targets set in support of our goals during FY 2015. It also outlines some of the challenges we faced meeting these goals. We base our planned performance targets on our full budget request. If necessary, we adjust our resources accordingly to complete our budgeted workloads and agency goals.

Final data for 7 of our 40 performance measures was not available at the time this report was published. We will include those overall results in our FY 2016 *Agency Financial Report*. We met our target for 19 of the 33 performance measures with available data.

Below is an assessment of our overall progress by Strategic Goal in FY 2015:



Strategic Goal 1: Deliver Innovative, Quality Services

Strategic Objectives

- Develop and Increase the Use of Self-Service Options
- Enhance the Customer Experience by Completing Customers’ Business at the First Point of Contact
- Partner with Other Agencies and Organizations to Improve Customers’ Experience and Align with the Administration’s One-Government Approach
- Evaluate Our Physical Footprint to Incorporate Improved Service Options



We selected the following performance measures to help demonstrate our progress in delivering innovative, quality services:

Improve access to our services by increasing the number of citizens who complete their business with us online (APG)

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	16 million transactions	21.8 million transactions	46.3 million transactions	70 million transactions	87 million transactions	77.8 million transactions	Met

Analysis: We processed over 87 million online transactions in FY 2015. In the past few decades, advances in technology have revolutionized the business world, changing the pace of our business processes and increasing our ability to offer innovative service options. We improved access to our services in FY 2015 by increasing the number of citizens who complete their business with us online by more than 23 percent over FY 2014.

Deliver a world-class customer experience by expanding the use of video technology to hold hearings (APG)

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	20.1%	22.8%	26.1%	28%	27%	30%	Not Met

Analysis: Video hearings play a critical role in our disability adjudication process by enabling some claimants to participate in a hearing nearer to their homes. Video hearings allow our administrative law judges (ALJ) to spend less time traveling to hearings and more time hearing and deciding cases. Additionally, we are able to balance our hearings workloads by electronically transferring cases to offices that have shorter wait times. In FY 2015, we conducted 27 percent of our hearings by video technology.

Provide the public with access to personalized information by increasing the number of established *my Social Security* accounts (APG)

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	Not Available	Not Available	6.32 million new accounts	6.14 million new accounts	6.64 million new accounts	7.06 million new accounts	Not Met

Analysis: We are working to expand the number of services available within the *my Social Security* portal to give our customers more online service options. We have more than 21 million *my Social Security* accounts to date.

Maintain high customer satisfaction with our online services

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	81	82	82	83	84	80	Met

Analysis: One of our highest priorities is delivering world-class customer service to all of our customers, including our online users. A score of 80 or higher is considered to be the threshold for excellence. We exceeded our target for FY 2015.

Our efforts to deliver innovative, quality services include:

Expanding Online Access through Social Security Express: Customers without access to a computer might think they cannot use our online services, but our new service options expand access to our online services. Our Social Security Express initiative provides access to our online services in our field offices and in external locations. Using these services helps minimize wait times for visitors who must complete their business with us in person.

We have three major Social Security Express projects underway:

- **Self-help personal computers** are available in 790 offices nationwide. Self-help personal computers allow our customers to access our online services using computers in our offices. Using the computers enables customers to perform some transactions without waiting to see a representative.
In FY 2015, we added nearly 300 new locations.
- **Desktop icons** provide a direct link from a public computer to some of our online services. These icons are available to external partner sites, such as libraries and senior centers. Users can access the same services that are available through the self-help personal computers in our field offices. Unlike self-help personal computers, the desktop icon links to our full range of self-service options. If customers have questions, they can call our National 800 Number for help completing their tasks.
In FY 2015, we designed a process allowing partner sites to download the desktop icon directly, making the installation process more efficient. We launched the website nationwide on May 15, 2015.
- **Customer service stations** contain a computer with a touch screen monitor and video access enabling the user to have real-time contact with a representative, if needed. A printer is also available so users can print documents, such as benefit verification letters.

Enhancing Delivery Options for the Replacement Social Security Benefit Statement: In FY 2014, our i1099 online application only allowed beneficiaries to request a mailed copy of their SSA-1099 or SSA-1042s tax form, or Social Security Benefit Statement. Beginning in February 2015, people who receive benefits and have a *my Social Security* account can now view, print, and save their Social Security Benefit Statement immediately.

In FY 2015, beneficiaries accessed their statement online more than 624,000 times, reducing mail requests by more than 60 percent.

Leveraging *my Social Security*: To date, we have over 45,000 web pages, 20 online services, information in 18 languages, and a presence on several social media sites. We host 17 million visits to our website each month! Our customers are demanding more online services, and we are responding as quickly as possible, while ensuring *my Social Security* (www.socialsecurity.gov/myaccount) remains secure and easy to use.

Current features enable Social Security disability and SSI beneficiaries to access their benefit verification letters, payment histories, and earnings records instantly. Beneficiaries can also change their addresses and direct deposit information online. Since it launched in 2012, *my Social Security* has more than 21 million registered users and consistently ranks as one of the top 10 in customer satisfaction for all Federal websites.

Work is now underway on a new feature called SMART Claim that will allow our customers to file a claim for retirement, disability, Medicare, and SSI benefits using a single application within *my Social Security* by the end of FY 2016.

Additional features planned for *my Social Security* and SMART claim in FY 2015 and into FY 2016 include:

- Social Security number replacement card requests;
- New secure customer engagement tools, including enhancements to click-to-call back, dynamic help assistance, a secure message center, and alerts and notifications;
- An alternate path allowing customers to complete their applications online, if they are unable to register for or do not have a *my Social Security* account;
- Online continuing disability review notification and response options for beneficiaries; and
- A claims appeal path.

Implementing Online Social Security Number Card Application: Replacing Social Security number cards is one of our most requested services. In FY 2015 alone, we issued 11 million replacement cards in field offices and Social Security card centers across the country. This workload is significant, highly sensitive, and sometimes complex, often requiring in-person interviews.

In FY 2014, we began work to enable *my Social Security* users who are U.S. citizens over the age of 18 with no changes to their record to apply online for a replacement Social Security number card. We expect to roll out this new feature to select states in FY 2016, enabling users to avoid travel time, wait time, and in-person interviews.

The application will provide users with a secure, trusted, and legally sufficient, real-time method to request replacement Social Security number cards online and will allow our employees more time to process other workloads.

Establishing the Social Security Electronic Remittance System: In early FY 2015, we launched the Social Security Electronic Remittance System nationwide. Previously, customers could only pay for preapproved standard service fees, such as those for copying electronic or paper folders, by check or money order. Our new electronic remittance system also enables payment by credit and debit card. Because we must receive payment before we can complete the customer's request, the new system allows us to process transactions immediately. Customers can request service, make payment, and receive service promptly in cases where the files are readily accessible.

Expanding Video Service Delivery: Some of our customers live in areas with limited public transportation and have difficulty getting to our field offices. Video service delivery allows us to provide services to our customers at convenient third-party sites, such as hospitals, libraries, community centers, American Indian tribal centers, and homeless shelters. Video services reduce time and costs for traveling to remote locations.

To support a projected increase in disability determination services (DDS) disability hearing workloads (i.e., appeals of continuing disability review decisions), we are relocating 35 existing video units to offices where there is a greater need. In FY 2015, we installed 122 of the 133 desktop units that we purchased in FY 2014. The units will increase our capacity for conducting video hearings, expand video remote interpreting services, and provide video support for other work efforts.

Providing Real-Time Assistance to Online Users: Delivering world-class customer service to all of our customers, including our online users, is one of our highest priorities. In May 2014, we celebrated 20 years of online services.

Our newest addition to *my Social Security* is a suite of online information and help tools. In FY 2015, we launched a new dynamic help tool and an enhanced click-to-call back option.

Dynamic help presents users with three responses, based on the task the user is performing when he or she requests help. If the user still has questions, he or she can type the question into a specialized search feature that will return related information.

If the user selects the call back option, our enhanced feature displays the user's phone number and allows the user to submit that number or provide an alternate. The user also receives an approximate call back time.

Launching a Federal Data Exchange Community of Practice: We initiated and now lead the Federal Data Exchange Community of Practice, facilitating records, data, and other information exchanges across Federal agencies. Our collaborative efforts will help build a larger knowledge base, find solutions for data exchange challenges, identify cross-organizational solutions, prioritize and resolve problems, harmonize policy and processes where possible, share best practices, and build a network of Federal data exchange partners.

In FY 2015, we developed a list of the most common types of data regularly shared among Federal agencies and the best sources for each type. We created a site on MAX.gov, hosted by OMB, to share documents, agendas, presentations, and contact lists. Our site has a 94 percent enrollment rate. In FY 2015, we added 11 new agencies to the group, expanding the network by 69 percent.

Establishing a State Data Exchange Community of Excellence: Since Congress passed the *Affordable Care Act* in 2010, the Administration has led efforts to standardize public health program eligibility policies, data use, and information technology (IT) tools. The standardization will streamline States' public health business processes, improve service delivery, and enhance data accuracy.

In FY 2015, we established a public-private partnership called the State Data Exchange Community of Excellence whose goal is to advance the Administration's one-government approach. The State Data Exchange Community of Excellence will include Federal, State, and private stakeholders, including the Department of Health and Human Services, the Administration of Children and Families, the Centers for Medicare and Medicaid Services, the United States Department of Agriculture, Food and Nutritional Services, the American Public Health Services, and Governor-appointed human service administrators. We are working to finalize a tri-agency agreement with Health and Human Services and the Department of Agriculture to share our data through a hub that will help States determine a person's eligibility for certain benefits.

Strategic Goal 2: Strengthen the Integrity of Our Programs

Strategic Objectives

- Transform the Way We Record Earnings to Enhance Data Accuracy
- Protect the Public’s Data and Provide Secure Online Services
- Increase Payment Accuracy

Report Wages from Your Mobile Device



Available now in

[Google Play \(play.google.com/store\)](https://play.google.com/store) and [Apple app \(www.apple.com/itunes/charts/free-apps/\)](https://www.apple.com/itunes/charts/free-apps/) stores

We selected the following APG to indicate our progress in strengthening the integrity of our programs:

Reduce the percentage of improper payments made under the SSI program (APG)

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	9.1%	8.1%	9.3%	8.5%	Data available April 2016	6.2%	TBD

Analysis: In FY 2014, our target was to reduce the percentage of improper payments (overpayments and underpayments) to no more than 6.2 percent of all payments made under the SSI program. We did not meet our target for FY 2014. We will receive FY 2015 results in April 2016.

Some of the initiatives we are undertaking to strengthen the integrity of our programs include:

Established the Office of Anti-Fraud Programs: We take our responsibility for detecting, deterring, and preventing fraud very seriously. We have a zero tolerance for fraud, and we work tirelessly to protect the American public.

In November 2014, the Acting Commissioner established the Office of Anti-Fraud Programs to provide centralized oversight of and accountability of initiatives to prevent, detect, and deter fraud, such as:

- Centralizing anti-fraud data analytics;
- Monitoring and supporting our anti-fraud initiatives;
- Formulating new anti-fraud initiatives;
- Developing consistent anti-fraud policies and processes;
- Aligning our anti-fraud efforts with industry standards; and
- Supporting the Office of the Inspector General’s efforts to investigate fraud.

We continue to expand the use of data analytics and technology to detect and prevent fraud. Specifically, we apply analytical tools to our business processes and use models to determine common characteristics and patterns of anomalous behavior based on data we collect from past allegations and known cases of fraud.

Additionally, we have developed numerous analytical models to help us identify fraud. We run our analytical models against real-time data in online services. These models assist in identifying attempted fraud before we make a payment. Our goal is to avoid the “pay and chase” that has plagued benefit-paying agencies for years by being proactive in preventing fraud. We are currently working with a federally funded research development center on an enterprise-based, automated solution to expand the use of anti-fraud analytics to additional agency programs.

Using Predictive Modeling in Continuing Disability Review Enforcement Operation: The Continuing Disability Review Enforcement Operation identifies Social Security Disability Insurance beneficiaries whose earnings put them at risk of incurring work related overpayments.

We developed and piloted a predictive model to identify cases that have a high likelihood of incurring significant overpayments. We prioritize these cases for work-related continuing disability reviews. These reviews determine if the beneficiary's eligibility for benefits has changed.

By prioritizing the work-related continuing disability reviews, we identified and avoided potential overpayments more quickly. In FY 2015, within the first 6 months of processing, we completed approximately 256,000 work-related continuing disability reviews, resulting in 47,500 cessations or suspensions with overpayments.

We plan to update and re-estimate the predictive model with more recent information so the model parameters capture any recent demographic, program, and economic changes. In addition, we are considering including quarterly earnings data from the Office of Child Support and Enforcement in our model to shorten the response time.

Using Predictive Modeling in the Redetermination Process: We use a statistical scoring model to identify and prioritize redetermination cases having a high likelihood of error. The statistical model uses income, resources, and living arrangement variables to predict likely SSI overpayments.

In FY 2014, the cases we completed resulted in the prevention and recovery of \$3.9 billion in expected retroactive and five-year future recurring SSI overpayments. If we had relied on a random selection for 2014 cases, rather than using a predictive model, projections indicate that the corresponding savings would be only \$2.4 billion for this period. We expect to finalize results for FY 2015 by February 2016.

We continue to improve our predictive statistical modeling and data mining techniques to determine the potential value of data in our SSI redetermination modeling and selection process. We will use these advanced analytical techniques to focus on ways to enhance our current redetermination selection model and the SSI redetermination process.

Expanding the Access to Financial Institutions: Excess resources in financial accounts are a leading cause of SSI payment errors. Access to Financial Institutions (AFI) is an electronic process that verifies bank account balances with financial institutions to help determine SSI eligibility. In addition to verifying alleged accounts, the process may detect undisclosed accounts by using a geographic search to generate requests to other financial institutions. Along with preventing overpayments, the AFI process helps us eliminate ineligible applicants at the beginning of the application process and reduce the workload in the DDS. We currently use the AFI system in all 50 states, the District of Columbia, and the Commonwealth of the Northern Mariana Islands. We define full implementation as using AFI on every potential SSI application and redetermination, conducting bank searches, and fully integrating the process with our systems. In FY 2013, we lowered the AFI liquid resources (e.g., cash or bank accounts) threshold from \$750 to \$400 and increased the number of bank searches. This program has proven very cost effective and useful in identifying undisclosed accounts.

Implementing Data Exchange and Verification Online: We have a mission-critical need to share data with partners such as Federal, State, local, and foreign government agencies, as well as court systems, the medical community, and employers to help ensure we have correct information. We maintain over 2,500 electronic information exchanges. We provide and receive data essential in making eligibility and entitlement decisions for us and other Federal and State agencies.

During FY 2015, we implemented enhancements begun in FY 2014, as well as began planning and analysis for additional enhancements to the Social Security number verification process. We also redesigned our architecture to support web services, an enhancement that improves access for partnering agencies and supports the one-government approach.

Strategic Goal 3: Serve the Public through a Stronger, More Responsive Disability Program

Strategic Objectives

- Improve the Quality, Consistency, and Timeliness of Our Disability Decisions
- Maximize Efficiencies throughout the Disability Program
- Enhance Employment Support Programs and Create New Opportunities for Returning Beneficiaries to Work



We selected the following performance measures to demonstrate our efforts to serve the public through a stronger, more responsive disability program:

Ensure the quality of our decisions by achieving the disability determination services decisional accuracy rate for initial disability decisions

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	98% decisional accuracy	98% decisional accuracy	98% decisional accuracy	98% decisional accuracy	Data available January 2016	97% decisional accuracy	TBD

Analysis: While our customers expect us to make timely decisions, they also expect us to make the right decisions, appropriately and consistently applying our rules and regulations. We have consistently met our target for this measure since FY 2010. In FY 2014, we ensured the quality of our decisions by achieving the DDS decisional accuracy rate of 98 percent for initial disability decisions, exceeding our target of 97 percent. FY 2015 data is not available until January 2016.

Increase our ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days old or older

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	Not Available	88% of cases pending less than 365 days	91.1% of cases pending less than 365 days	84% of cases pending less than 365 days	82% of cases pending less than 365 days	80% of cases pending less than 365 days	Met

Analysis: From FY 2007 to FY 2015, our hearings workload increased to record numbers. These increases stem from the record number of initial disability applications we received between FY 2007 through FY 2011, budget constraints, staffing challenges, and the refocused attention on the quality of our hearings decisions. In FY 2015, we exceeded our target.

Our efforts to deliver quality disability decisions and services include:

Conducting Inline Quality Reviews: The inline quality review of hearing-level claims promotes consistency and continuous improvement in case processing by ensuring that:

- Case files are properly prepared and scheduled;
- Records are adequately developed; and
- Draft decisions are legally sufficient.

We initially conducted inline quality reviews on cases where senior attorney adjudicators drafted fully favorable decisions and on cases where files were prepared and ready to be scheduled for a hearing. We began the review in 2010, and in November 2013, we expanded the reviews to include cases drafted by decision writers. We increased the number of inline quality reviews from 2,590 in FY 2013 (0.4 percent of all hearing decisions) to 13,258 in FY 2014 (2.4 percent of all hearing decisions).

In FY 2015, we expanded the list of questions reviewers must answer when deciding if errors exist. There are now more than 100 questions. Because the reviews are more comprehensive than before, we are able to address more issues proactively. In FY 2015, we conducted almost 13,000 reviews (2.4 percent of all hearing decisions).

Reducing the Backlog at the Appeals Council: As we decide more cases at the hearing level, the Appeals Council receives more requests to review hearing decisions. Historically, we received approximately 100,000 requests for review annually. However, from FY 2011 until FY 2013, requests for reviews grew to 175,000 annually. While we saw a reduction in requests to 155,000 in FY 2014 and 149,000 for FY 2015, we finished FY 2015 with more than 150,000 cases waiting for review. We will continue to recruit new staff in the Office of Appellate Operations to address the ongoing backlog.

While the Appeals Council expects to replace staff losses in FY 2015, we continue to seek resources to expand the Appeals Council to address customer wait times.

We are focusing on decreasing the percentage of pending Appeals Council requests for review over 365 days old. In FY 2014, we completed about 162,000 Appeals Council requests for review, and in FY 2015, we completed over 150,000 cases. We will continue to adjust Appeals Council staff levels to reduce the Appeals Council backlog and meet any changes in capacity at the DDS and the hearings levels.

Hire Sufficient Administrative Law Judges to Ensure Public Access to Agency Services: From FY 2008 to FY 2010, the Office of Disability Adjudication and Review made significant progress in reducing the backlog of claimants waiting for an ALJ hearing. However, our inability to hire ALJs in sufficient numbers due to the Office of Personnel Management (OPM) delays coupled with the Federal Government shutdown caused a public service crisis. Now more than one million claimants are waiting for a hearing, more than any other time in history.

We received a new list of ALJ candidates from OPM in March 2014, but the lengthy hiring process resulted in us beginning FY 2015 with 35 fewer judges than we had at the beginning of FY 2014. We hired more ALJs as FY 2015 progressed, though not as many as we had budgeted for due to hiring setbacks. We ended the year with nearly 1,530 ALJs on duty, about 85 more than we had at the beginning of the year.

Developing the Disability Case Processing System: In an ongoing effort to improve our effectiveness and efficiency in making timely, accurate disability decisions, we are modernizing our disability case processing system technology. The Disability Case Processing System will replace 54 independent legacy systems currently used throughout the DDS offices nationwide.

The Disability Case Processing System will yield substantial benefits to the government and citizens by providing:

- Faster and more accurate case processing;
- Improved service to citizens;
- Reduced administrative costs; and
- Structured data that will support our fraud analytics efforts.

Developing the new system has been more complex and challenging than initially anticipated. Based on feedback from users, increasing program cost estimates, and extended timelines, we conducted a review of the project in early 2014. We implemented corrective actions later that year, such as appointing a single accountable executive, restructuring the organization, and increasing the engagement of users.

In FY 2015, we focused our efforts on planning and analysis activities to help develop a streamlined product to process all types of disability cases.

Using Health Information Technology to Expedite Disability Decisions: Obtaining medical records electronically from health care organizations increases efficiencies in our disability determination process and dramatically improves service to the public by:

- Reducing the time to obtain medical records;
- Decreasing the time to complete a disability claim;
- Helping offset increasing workloads and staffing constraints; and
- Enabling computerized decision support.

We request more than 15 million medical records from about 500,000 providers for approximately 3 million initial disability claims annually. Our primary goal is to increase the volume of medical evidence received via health IT by expanding existing partnerships and adding new partners.

In FY 2015, we expanded our health IT partnerships from 3,143 to more than 7,000 providers and increased the number of organizations from 28 to 48. We also increased the number of States, plus the District of Columbia, with participating health IT providers from 29 to 33. We increased the percentage of initial disability claims with health IT medical evidence to 6.1 percent, exceeding our performance goal of 6 percent.

Strategic Goal 4: Build a Model Workforce to Deliver Quality Service

Strategic Objectives

- Attract and Acquire a Talented and Diverse Workforce That Reflects the Public We Serve
- Strengthen the Competency, Agility, and Performance of Our Workforce to Align with the Needs of the Public
- Foster an Inclusive Culture that Promotes Employee Well-Being, Innovation, and Engagement
- Enhance Planning and Alignment of Human Resources to Address Current and Future Public Service Needs



The following performance measure demonstrates our efforts to build a model workforce to deliver quality service:

Maintain status as one of the Top 10 Best Places to Work among large agencies in the Federal Government

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	Top 10 Rank	Top 10 Rank	Top 10 Rank	Top 10 Rank	Data available December 2015	Top 10 Rank	TBD

Analysis: Each year since 2007, our employees have ranked us in the top 10 [Best Places to Work in the Federal Government \(bestplacestowork.org\)](http://bestplacestowork.org). In FY 2014, our employees ranked us as number six among large agencies. Data for FY 2015 will not be available until December 2015.

Some of the initiatives we are undertaking to remain an employer of choice for top talent include:

Focusing on the Employment of Veterans and Individuals with Disabilities: We honor the courage and sacrifice the men and women in our armed forces made during their active service. We also respect the skills gained during their service. Offering veterans career opportunities provides us with experienced employees and allows us to honor their service.

We also recognize the rich talent pool that exists among individuals with disabilities. We benefit from their experience as we develop strategies to improve our service to the American people.

Each fiscal year we establish goals for recruiting veterans and individuals with disabilities. Despite recent hiring limitations and budget constraints, we achieved or exceeded our commitments to hiring veterans and disabled workers.

In FY 2015, veterans represented 39.37 percent of our total hiring. Disabled veterans represented 18.62 percent of our total hiring.

We also employ individuals with targeted disabilities at nearly twice the rate of the Federal Government as a whole. In FY 2015, employees with targeted disabilities represented 2.02 percent of our total workforce.

In FY 2015, to assist with hiring and retaining both veterans and individuals with disabilities, we:

- Developed resources to guide recruiters, hiring officials, and managers throughout the hiring process;
- Issued a reminder to all employees about the reasonable accommodation process and the benefits and protections of self-identifying as an employee with a disability;
- Collaborated with Federal, State, and local veteran support networks to communicate employment and internship opportunities, including the:
 - **Non-Paid Work Experience program**, offered by the Department of Veterans Affairs for disabled veterans; and
 - **Operation War Fighter Internship program**, offered by the Department of Defense for injured service men and women who are still on active duty, but awaiting medical discharge.
- Continued to participate in the Vocational Rehabilitation Internship Program, which provides unpaid work experience to clients of State vocational rehabilitation agencies;
- Enhanced our web tool used by staff nationwide to request reasonable accommodation for customers. Staff can now track the status of their requests;
- Hosted events during National Disability Employment Awareness Month highlighting contributions made by our employees with disabilities. Events were also held showcasing assistive technology and explaining the reasonable accommodation process; and
- Participated in job fairs, meetings, and other events targeted to veterans and individuals with disabilities.

By working with groups like the Department of Veterans Affairs, the Wounded Warrior program, vocational rehabilitation agencies, college and university disability services offices, armed forces job fairs, disability advocacy organizations and other employment networks for servicing veterans and individuals with disabilities, we hope to create awareness of our employment opportunities.

Highlighting the Pathways Programs (for Students and Recent Graduates to Federal Careers):

Students and recent graduates infuse our workplaces with new enthusiasm, talents, and perspectives. Our Pathways programs offer opportunities through three specific programs:

- **The Internship program** provides students in high schools, colleges, trade schools, and other qualifying educational institutions with paid opportunities to explore Federal careers while completing their educations;
- **The Recent Graduates program** provides developmental experiences to individuals who, within the previous two years, graduated from qualifying educational institutions; and
- **The Presidential Management Fellows program** provides entry-level positions and leadership development for advanced degree candidates and recent advanced degree graduates.

Hiring through these programs enables us to offer participants clear career paths, along with meaningful training and development opportunities. These programs enhance our ability to attract and hire a talented and diverse workforce that reflects the public we serve.

In FY 2015, we hired students and recent graduates through the Pathways program. We will continue participating in the Pathways program to attract new employees as our budget allows.

Creating Management Training: We are building a cadre of leaders whose skills are transferable throughout our organization. Our Leadership Essentials for New Supervisors (LENS) training integrates technical skills with leadership competencies, while emphasizing performance management.

In FY 2015, we assigned new supervisors to the LENS training. Following the training, we conducted competency gap assessments to target future training.

Focusing on Career Development Programs: Our future depends on developing employees' leadership and management skills throughout their careers. One way we identify and develop potential leaders is through our National Career Development Programs:

- **The Leadership Development Program** prepares employees for General Schedule (GS)-11 through GS-13 leadership positions; and
- **The Advanced Leadership Development Program** prepares employees for GS-14 and GS-15 leadership positions.

These programs target employees with proven leadership potential. We strengthen their leadership skills through developmental assignments and formal training.

To help our experienced managers prepare for senior-level positions, we offer the Senior Executive Service Candidate Development Program. This program is a key element of our succession management strategy for filling future executive-level leadership vacancies.

In addition to our formal leadership programs, many of our employees gain leadership skills through progressively higher positions requiring greater levels of responsibility, accountability, and employee interactions.

Supporting Employees through Mentoring: Mentoring is a dynamic developmental and learning partnership through which one person (mentor) shares knowledge, skills, information, experience, perspective, and wisdom to foster the personal and professional development of another (mentee) through ongoing communication.

To support our employees and help prepare them for future job requirements, we piloted our National Mentoring Program, which is open to all employees. Mentoring programs increase morale and organizational productivity and help participants plan their career paths.

The primary goal of the National Mentoring Program is to foster relationships that enhance personal and professional growth and development. Through the mentoring relationship, mentors have the opportunity to coach, guide, and share experiences, knowledge, and skills, which will help to foster an inclusive culture that leads to greater retention of well-experienced and empowered employees.

Our goals for the mentoring program are to:

- **Promote a “Knowledge-sharing Culture” to Support Succession Planning Efforts** - Mentoring facilitates knowledge sharing, while developing top talent and a pipeline of well-qualified candidates;
- **Facilitate Skill and Competency Development to Support Employee Talent Development** - Mentoring facilitates self-improvement, serving as a conduit for employee development, career planning, and sustaining optimum skills, competencies, and performance; and
- **Increase Employee Engagement to Improve Employee Morale and Retention** - Mentoring helps foster an inclusive culture and can lead to a greater retention of well-qualified and empowered employees.

Highlighting Diversity and Inclusion: We serve a diverse Nation and strive to recruit, promote, and retain a workforce that draws from all segments of society. We have a long-standing history of being among the most diverse Federal agencies – a goal we achieved through careful planning and recruitment efforts.

Our *Diversity and Inclusion Strategic Plan*, developed in FY 2012, highlights proven best practices for attracting, hiring, and retaining a diverse workforce. The plan also describes how we can foster a work environment that draws on our collective talents, respects individual differences, and leverages diversity.

To sustain our commitment, we instituted a Diversity and Inclusion Council with representation from all levels of the agency, including senior leadership, labor, management associations, and Advisory Councils. The Council's ongoing mission is to provide overarching guidance and support for our diversity and inclusion efforts by recognizing employees' unique perspectives and contributions.

Our human resources (HR) staff collaborates with the Council on training, marketing, employee engagement, and outreach. Council members serve as role models and champions on initiatives that promote inclusiveness and leverage the diversity of our workforce.

We celebrate our individual differences and encourage full employee engagement by supporting these diverse Employee Advisory Councils within our workforce:

- American Indian and Alaska Native Advisory Council;
- Black Affairs Advisory Council;
- Hispanic Affairs Advisory Council;
- National Lesbian, Gay, Bisexual, and Transgender Advisory Council;
- National Women's Advisory Council;
- Pacific Asian American Advisory Council; and
- Veterans and Military Affairs Advisory Council.

Our Advisory Councils work with our Diversity and Inclusion staff and our executive leadership through the Diversity and Inclusion Council to help create an inclusive environment for our employees and provide excellent customer service to the diverse public we serve. The Advisory Council provides ideas on improving services and promoting our programs in their respective communities.

Implementing the Human Capital Operating Plan: Human capital is a major concern for leaders across the government. Federal leadership faces the challenge of recruiting, retaining, and developing a talented workforce in a tight fiscal climate. In the face of increasingly complex and demanding realities, we must have employees with the right skills, in the right places, at the right times to achieve our mission.

The *Human Capital Operating Plan* represents our commitment to renew our focus on human capital and succession management. The plan aligns with, and supports, the goals of our [FY 2014-2018 Agency Strategic Plan](#) (www.socialsecurity.gov/asp). Our plan includes a mandate to Build a Model Workforce to Deliver Quality Service as one of our five Strategic Goals.

Our plan includes an analysis of our current and future workforce, identifies agency-specific initiatives, milestones, and outcome metrics, and focuses on the following key areas:

- Transform the agency into an employer of choice;
- Transition to competency-based human capital management;
- Expand leadership and core competency skill development; and
- Establish an integrated and collaborative human capital management framework.

Human capital management encompasses the process of managing how people are hired, developed, deployed, motivated, and retained. It builds upon the traditional model of HR by focusing on results. It also seeks to align HR decisions and investments more directly with our agency's mission, goals, and objectives.

We must adopt a more proactive and data-driven approach toward managing human capital to meet the needs of our future workforce. Further, we must commit adequate training resources to ensure staff remains fully prepared to provide quality service both now and in the future.

This initiative, coupled with the resources and governance structure to monitor success, provides a solid foundation for achieving a reimagined, revitalized effort toward the attraction, acquisition, development, engagement, and retention of our greatest asset – our employees.

Strategic Goal 5: Ensure Reliable, Secure, and Efficient Information Technology Services

Strategic Objectives

- Maintain System Performance and the Continuity of Information Technology Services
- Enhance and Execute Plans to Modernize Our Systems
- Incorporate Innovative Advances in Service Delivery
- Continuously Strengthen Our Cyber Security Program



We selected the following performance measures to demonstrate our efforts to ensure reliable, secure, and efficient IT services:

Provide uninterrupted access to our systems during scheduled times of operation

Fiscal Year	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	99.89% availability	99.9% availability	99.96% availability	99.97% availability	99.96% availability	99.5% availability	Met

Analysis: Maintaining strong IT performance, while meeting rising demands, increasing cyber security risks, and constant industry changes, is vital. Since FY 2012, we have exceeded the target for this measure.

Provide secure and effective services to the public by improving cyber security performance

Fiscal Year	2013 Actual	2014 Actual	2015 Actual	2015 Target	Target Achieved
Performance	Homeland Security Presidential Directive 12 Compliance – result 85% Information Security Continuous Monitoring – result 96% Trusted Internet Connections Consolidation – result 100% Trusted Internet Connections 2.0 Capabilities – result 96%	We met 3 out of 4 targets. Homeland Security Presidential Directive 12 Compliance – target 75%; result 87% Information Security Continuous Monitoring – target 95%; result 98% Trusted Internet Connections Consolidation – target 95%; result 100% Trusted Internet Connections 2.0 Capabilities – target 100%; result 94%	We are compliant with all requirements of the Department of Homeland Security’s Federal Network Security Compliance and Assurance program and the Cyber Security CAP Goals	Meet the performance requirements of the Department of Homeland Security’s Federal Network Security Compliance and Assurance program and the Cyber Security CAP Goals	Met

Analysis: Since 2013, we have met the Department of Homeland Security cyber security standards and requirements.

Some of our ongoing efforts to maintain secure and reliable IT services include:

Enhancing Our Infrastructure: Our new National Support Center will dramatically increase our computing power, reduce our energy consumption, and provide the foundation for future infrastructure enhancements. We completed the IT infrastructure set up in April 2015, and by August 2016, all IT services should be completely migrated to the new center.

We designed the facility to be Leadership in Energy and Environmental Design Gold certified. Minimal staffing, lighting most areas only when staff are present, and managing the infrastructure remotely will help reduce energy costs. Innovative heating and cooling systems will also help reduce costs. For example, when outside temperatures are below 55 degrees (about 145 days each year), there will be practically no cooling costs.

Over the next several years, we will implement several technologies including high-speed disc replication, dynamic load balancing with high bandwidth connectivity between data centers, additional data center capacity, and automatic failover and staging systems.

Protecting Our Systems and Data: We continue to strengthen our information security program to meet the standards and requirements of the *Federal Information Security Management Act of 2002*, as amended by the *Federal Information Security Modernization Act of 2014*, by training our employees and implementing effective cybersecurity technologies.

Our systems and data are constantly at risk from emerging threats and technology. We deploy new tools and techniques as threats are discovered. Software flaws pose an ongoing risk, potentially making our systems

vulnerable to malicious or accidental actions. In response, we have added additional licenses of a tool our developers use to scan their code and repair it before release if security flaws are found.

Threats to data and systems can also come from within an organization. We are rolling out an agency-wide automated access control system, replacing our current paper-based system. The new system will improve timeliness in granting and removing user access, improve accuracy in assigning access to information resources, and provide clearer audit records. We are also analyzing new technologies to review employee activity. Our changing service delivery channels and other system changes require ongoing updates to our monitoring systems.

Finally, employee security awareness and training remains a high priority. Agency-wide, on-demand video training helps raise employee awareness on protecting our systems and data. Because our work often involves personal interactions, we must always be on guard against a threat known as social engineering, where people pretend to be coworkers, repair technicians, or any other role, where they could access our systems or data. We have invested heavily in special training for all of our employees to help them recognize and prevent social engineering activities and other types of activities that can cause system problems.

Implementing an Information Security Program: We maintain a comprehensive, agency-wide information security program to protect information and communications assets. We review our policies and processes continually to ensure adequate safeguards are in place to prevent misuse and unauthorized access to our systems and data. We are also strengthening the security of our systems by implementing consistent management controls at all of our data facilities.

We have completed the following activities supporting both the Federal Cybersecurity CAP Goals and the Department of Homeland Security's Federal Network Security Compliance and Assurance program:

- Established Trusted Internet Connection Access Provider designation through the Department of Homeland Security;
- Participated in the National Cyber Protection System, a collaboration between the Department of Homeland Security and other Federal agencies to share security resources;
- Collaborated with the Department of Homeland Security to develop monthly security assessments of our public-facing network;
- Defined and implemented an information security continuous monitoring strategy to manage information security risks;
- Participated in the Department of Homeland Security's Continuous Diagnostics and Mitigation program to ensure we have an accurate view of our risks and the effectiveness of our controls. We share our computer security information across the Federal civilian government agencies to help ensure they are aware of the threats to their infrastructures and can swiftly take corrective measures; and
- Implemented personal identity verification credentials, as defined in Homeland Security Presidential Directive 12, as a secure form of identification within our systems (with the exception of DDS systems, which are still in progress).

New services and delivery channels expose us to modern threats. We must be consistently diligent and continue to strengthen our cybersecurity intelligence and protections. We continually adjust our information security program to reflect changes in technology, the sensitivity of covered information and information systems, and internal or external threats to information and communications.

Looking Forward - Facing Our Challenges

Our journey began 80 years ago in 1935, when the *Social Security Act* was signed into law. Since then, we have transformed the way we do business, offering services in person, by telephone, and online. In April 2015, we launched Vision 2025, defining our highest priorities over the next 10 years: providing a superior customer experience; developing and retaining exceptional employees; and building an innovative organization.

Our work to achieve our vision starts now. We focused on the following major management priorities in FY 2015: enhancing online customer service; reducing the hearings backlog; educating the public about Social Security programs; improving succession management; promoting employee development and engagement; transforming the IT investment process; establishing a program management office; and accelerating the use of data-driven decision-making. Focusing on these areas sets a strong foundation for achieving our vision.

The world around us is changing quickly and we must continue to adapt by making decisions driven by data, without sacrificing the personalized, world-class customer service the public expects from us. We are harnessing the power of technology to produce online service options as quickly as we can to meet our customer's needs, while ensuring our systems and our data are secure. We are expanding the services we offer through our secure online portal, *my Social Security*, and are investing heavily in technologies to combat security threats.

Our employees are our first and best line of defense against fraud within our programs. We rely on our employees to pay our customers the right amount and to recognize suspicious activities. This year we established the Office of Anti-Fraud Programs, centralizing our agency's anti-fraud efforts. We will use data analytics and predictive models to help detect and prevent fraud. We remain vigilant in protecting our programs, our data, our customers, and our employees and their families from fraudulent activities and security threats.

While our customers expect cutting-edge technology, it is our front-line employees who are providing superior customer service every day. Our employees maintain vital connections to our customers and their communities. They work tirelessly to ensure our customers receive the very best service we can provide. Our challenge is having enough employees with the right skills, in the right place, at the right time. We are working to attract, train, and retain employees who are committed to providing superior customer service. Ensuring customer satisfaction will continue to be the driving force behind everything we do and our employees are the key to our success as an agency.

Throughout our history, we have evolved to meet our customer's changing needs. Our future demands much of the same. We will continue to face our challenges head on, employing dedicated and compassionate individuals to care for our customers and implementing cost effective, innovative technologies to help us reach our goals.

HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unmodified opinion on our financial statements from Grant Thornton, LLP. Our financial statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 49 through 106 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2013 through 2015 (excluding key amounts from our Statement of Social Insurance and Statement of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

Table of Key Financial Measures¹
(Dollars in Billions)

Net Position (end of fiscal year)			
	2015	2014	2013
Total Assets	\$2,856.7	\$2,828.9	\$2,799.6
Less Total Liabilities	\$112.4	\$107.1	\$102.0
Net Position (assets net of liabilities)	\$2,744.3	\$2,721.8	\$2,697.6
Change in Net Position (end of fiscal year)			
	2015	2014	2013
Net Costs	\$945.0	\$906.8	\$867.4
Total Financing Sources²	\$967.5	\$931.1	\$899.9
Change in Net Position	\$22.5	\$24.2	\$32.6

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position displayed on page 52.

Balance Sheet: The Balance Sheet displayed on page 50 presents, as of a specific point in time, amounts of economic benefits we own or manage (assets), amounts we owe (liabilities), and residual amounts we retain, comprising the difference (net position).

Total assets for FY 2015 are \$2,856.7 billion, a 1.0 percent increase over the previous year. Of the total assets, \$2,837.6 billion relates to funds from dedicated collections for the OASI and DI programs. By statute, we invest those funds not needed to pay current benefits in interest-bearing Treasury securities. Investments, which account for approximately 98.3 percent of our assets, increased \$25.4 billion over the previous year.

Liabilities grew in FY 2015 by \$5.3 billion primarily because of the growth in benefits due and payable, which is attributable to the 1.7 percent Cost of Living Adjustment (COLA) provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries. The majority of our liabilities (87.7 percent) consist of benefits that have accrued as of the end of the fiscal year, but have not been paid. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position grew \$22.5 billion to \$2,744.3 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 51 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of our administrative costs not related to the OASI, DI, and SSI programs and contains non-material activities.

Our net cost of operations includes the gross costs we incurred less any exchange revenue earned from activities. In FY 2015, our total net cost of operations increased \$38.2 billion to \$945.0 billion, primarily due to the 1.7 percent COLA provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries. The OASI, DI, and SSI net cost increased by 5.1 percent, 1.0 percent, and 1.7 percent respectively. Operating expenses increased for the DI and SSI programs by 0.7 percent and 3.4 percent, respectively. Operating expenses decreased for the OASI program by 0.6 percent.

In FY 2015, our total benefit payment expenses increased by \$37.9 billion, a 4.2 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2015 and FY 2014 for each of our three major programs.

Benefit Changes in Our Major Programs During Fiscal Years 2015 and 2014

	FY 2015	FY 2014	% Change
OASI			
Benefit Payment Expense	\$736,752	\$701,037	5.1%
Average Benefit Payment (per month)	\$1,269.65	\$1,235.39	2.8%
Number of Beneficiaries	48.93	47.84	2.3%
DI			
Benefit Payment Expense	\$144,102	\$142,594	1.1%
Average Benefit Payment (per month)	\$1,021.92	\$1,000.36	2.2%
Number of Beneficiaries	10.81	10.92	(1.0)%
SSI			
Benefit Payment Expense	\$51,520	\$50,844	1.3%
Monthly Maximum Benefit Amount	\$733.00	\$721.00	1.6%
Number of Beneficiaries	8.36	8.41	(0.6)%

Notes:

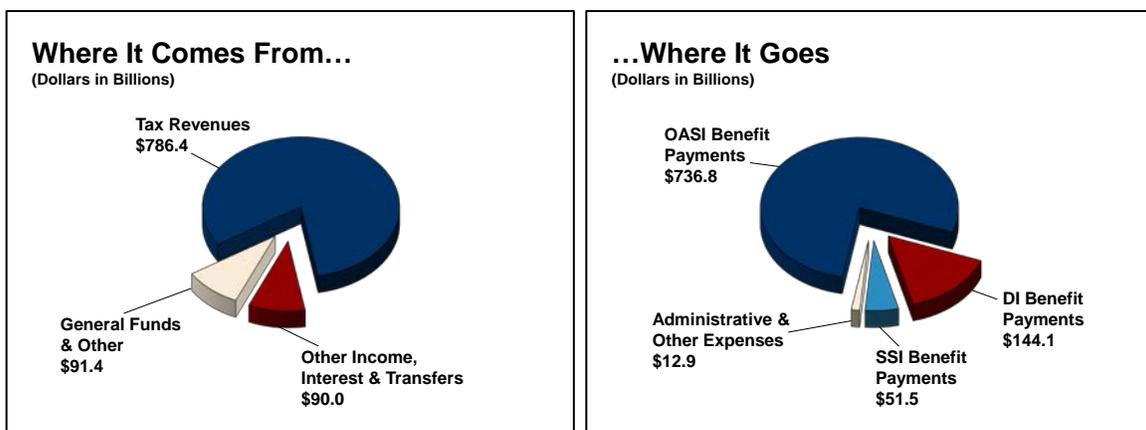
- Benefit payment expense and the number of beneficiaries are presented in millions.
- The average benefit payment per month for OASI and DI programs and the monthly maximum benefit amount for the SSI program are presented in actual dollars.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 52 presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of \$22.5 billion in the net position of our agency, which is attributable to financing sources in excess of our agency's net cost. At this time, the total of all tax revenues and interest earned continue to exceed benefit payments made to OASDI beneficiaries, keeping the agency's programs solvent; however, DI's benefit payments currently exceed its receipts, causing the DI Trust Fund to use its reserves. As a result, DI's net position has decreased \$29.7 billion from \$47.7 billion to \$18.0 billion.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses are 1.4 percent.

In FY 2015, total financing sources, as shown in the Table of Key Financial Measures displayed on page 30, increased by \$36.4 billion to \$967.5 billion. The primary source for this increase is additional tax revenues received in FY 2015. The \$967.5 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart “Where It Comes From...” as seen below. The activity reported in the chart includes \$0.3 billion in exchange revenue. Our exchange revenues primarily include payments of fees we receive from States choosing to have us administer their State Supplementation of Federal SSI benefits. These amounts are reported on the Statement of Net Cost and are not classified as a financing source.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2015.



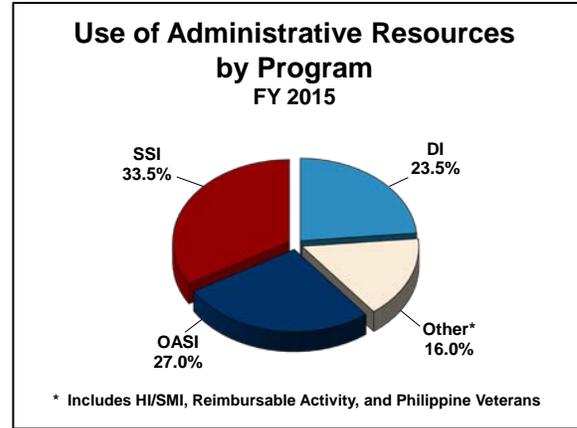
The SSI program’s Cumulative Results of Operations are negative causing the program’s overall Net Position to be negative. The Cumulative Results are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI’s Benefits Due and Payable activity. SSI will pay for these benefits using future years’ resources. While the activity is unfunded, we still record an expense, which creates the negative Cumulative Results of Operations since we do not record an associated financing source.

Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 53 provides information on the budgetary resources available to our agency for the year and shows the status of those resources at the end of FY 2015. The Statement shows that we had \$1,002.5 billion in budgetary resources, of which \$4.4 billion remained unobligated at year-end. We recorded total net outlays of \$944.1 billion by the end of the year. Budgetary resources increased \$45.0 billion, or 4.7 percent, from FY 2014, while net outlays increased \$38.3 billion, or 4.2 percent. The increase in budgetary resources is primarily due to an increase in tax revenues. The increase in net outlays is primarily due to the 1.7 percent COLA provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries.

Use of Administrative Resources

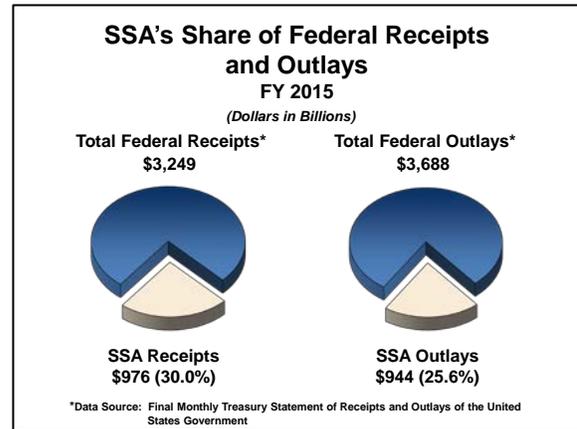
The chart on the next page displays the use of all administrative resources (including general operating expenses) for FY 2015 in terms of the programs we administer or support. Although the DI program comprises only 15.5 percent of the total benefit payments we make, it consumes 23.5 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.5 percent of the total benefit payments we make, it consumes 33.5 percent of annual administrative resources. State disability determination services decide whether the claimants for DI and

SSI disability benefits are disabled. In addition, disability determination services perform continuing disability reviews of individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2014 use of administrative resources by program was 27.7 percent for the OASI program, 23.8 percent for the DI program, 32.9 percent for the SSI program, and 15.6 percent for Other.



SSA's Share of Federal Operations

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government, as shown in the chart to the right. Receipts for our programs in FY 2015 represented 30.0 percent of the \$3.2 trillion in total Federal receipts, a decrease of 1.0 percent over last year. Outlays decreased by 0.3 percent to 25.6 percent of Federal outlays.



Overview of Social Insurance Data

Table of Key Social Insurance Measures¹
(Dollars in Billions)

Statement of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2015	2014	2013
Present value of future net cashflows ² for current and future participants over the next 75 years (open group measure), current year valuation	-\$13,440	-\$13,330	-\$12,294
Present value of future net cashflows ² for current and future participants over the next 75 years (open group measure), prior year valuation	-\$13,330	-\$12,294	-\$11,278
Change in present value	-\$110	-\$1,035	-\$1,016

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Future net cashflows are estimated over the appropriate 75-year period.

Statement of Social Insurance: As displayed on page 54, the Statement of Social Insurance presents the following estimates:

- The present value of estimated future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income less estimated future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of estimated noninterest income to be received from or on behalf of future participants and the cost of providing scheduled benefits to those same individuals; and
- The present value of estimated future noninterest income less estimated future cost for the open group, which represents all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The present value of estimated future net cashflows (estimated noninterest income less estimated cost) for all current and future participants over the next 75 years (open group measure) decreased from -\$13.3 trillion, as of January 1, 2014, to -\$13.4 trillion, as of January 1, 2015. The deficit, therefore, increased in magnitude by about \$0.1 trillion. Including the asset reserves in the combined OASI and DI Trust Fund increases this open group measure to -\$10.7 trillion for the 75-year valuation period. Therefore, including the asset reserves decreases the open group measure, in magnitude, by about \$2.8 trillion.

The present value of estimated future net cashflows for all current participants over the next 75 years, *plus* the asset reserves in the combined OASI and DI Trust Fund as of the beginning of the period, is -\$26.4 trillion (closed group measure). Including future participants over the next 75 years increases this value to the open group measure of -\$10.7 trillion.

Statement of Changes in Social Insurance Amounts: The Statement of Changes in Social Insurance Amounts displayed on page 55 reconciles the change (between the current valuation period and the prior valuation period) in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

From January 1, 2014 to January 1, 2015: The present value as of January 1, 2015 decreased (became more negative) by \$0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2089. Changes for this valuation period, and their effects on the present value of estimated future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.1 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cashflows by about \$0.7 trillion; and
- Changes to legislation increased the present value of estimated future net cashflows by less than \$0.1 trillion.

Significant changes made for this valuation included:

- The ultimate real-wage differential is assumed to be 1.17 percent in the current valuation period, compared to 1.13 percent in the previous valuation period;
- The ratio of average taxable earnings to the average wage averages about 0.6 percentage point higher during the long-range period, compared to the previous valuation period; and
- The effects of the President's executive actions on immigration.

From January 1, 2013 to January 1, 2014: The present value as of January 1, 2014 decreased (became more negative) by \$0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2088. Changes for this valuation period, and their effects on the present value of estimated future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cashflows by \$0.2 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by \$0.6 trillion;
- Changes in programmatic data, assumptions, and methods decreased the present value of estimated future net cashflows by about \$0.1 trillion; and
- Changes to legislation decreased the present value of estimated future net cashflows by less than \$0.1 trillion.

Significant changes made for this valuation included:

- The ultimate annual rate of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers is assumed to be 2.7 percent per year in the current valuation period, compared to 2.8 percent per year in the previous valuation period;
- Projected labor force participation rates for the older population are slightly lower for the current valuation in order to better reflect the difference in participation rates between never-married and married populations and the projected improvement in life expectancy; and
- The effects of the Supreme Court's decision in the *United States v. Windsor* case.

OASI and DI Trust Fund Solvency

Pay-As-You-Go Financing

The OASI and DI Trust Funds are deemed solvent as long as asset reserves are sufficient to finance program obligations in full and on a timely basis. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund asset reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund asset reserves have been growing.

The *Bipartisan Budget Act of 2015*, passed by Congress and signed into law by the President, reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund. This reallocation is expected to ensure full payment of disability benefits into 2022. Without reallocation, the DI Trust Fund asset reserves were projected to have been depleted by the fourth quarter of 2016.

The table on the next page shows that OASI and DI Trust Fund asset reserves, expressed in terms of the number of months of program obligations that these asset reserves could finance, has been declining slowly, from 41.2 months at the end of FY 2011, to 40.1 months at the end of FY 2012, to 38.9 months at the end of FY 2013, and to estimated values of 37.4 and 36.1 months at the end of FYs 2014 and 2015, respectively. The historical values shown in the

table for the DI Trust Fund have declined in recent years because expenditures have increasingly exceeded income. This trend is projected to continue in FYs 2014 and 2015.

Number of Months of Expenditures Fiscal-Year-End Asset Reserves Can Pay^{1,2}

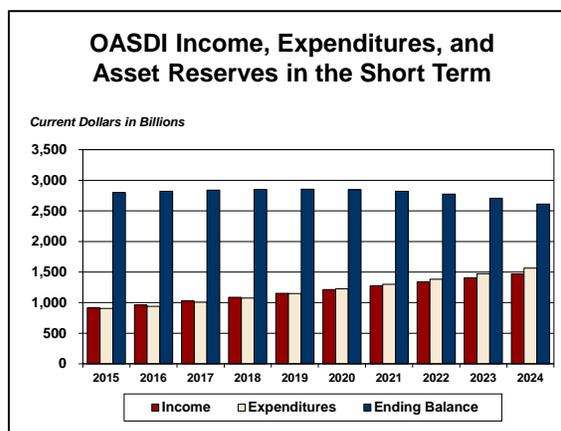
	2011	2012	2013	2014	2015
OASI	47.1	46.3	45.2	43.8	42.5
DI	14.0	11.1	8.3	5.7	3.1
Combined	41.2	40.1	38.9	37.4	36.1

Notes:

1. Computed as 12 times the ratio of end-of-year asset reserves to outgo in the following fiscal year.
2. Values for FYs 2014 and 2015 are estimates based on the intermediate set of assumptions of the 2015 Trustees Report.

Short-Term Financing

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its asset reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2015 Trustees Report indicate that, on a theoretical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2015 Trustees Report, OASDI estimated cost and income for 2024 are 82 percent and 66 percent higher than the corresponding amounts in 2014 (\$859 billion and \$884 billion, respectively). From the end of 2014 to the end of 2024, asset reserves are projected to decrease by 6 percent, from \$2.8 trillion to \$2.6 trillion. In addition, under those assumptions, the DI Trust Fund asset reserves were expected to deplete at the end of 2016. However, with the passage of the *Bipartisan Budget Act of 2015*, the DI Trust Fund is expected to have sufficient asset reserves to pay full scheduled benefits into 2022.



Long-Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2034, the combined OASI and DI Trust Fund asset reserves will be depleted according to the projections by Social Security's Trustees. Tax revenues are projected to be sufficient to support expenditures at a level of 79 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 73 percent of scheduled benefits in 2089.

The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: birth rates dropping substantially after 1965, retirees living longer, and baby boomers approaching retirement. In present value terms, the 75-year shortfall is \$10.7 trillion, which is 2.5 percent of taxable payroll and 0.9 percent of Gross Domestic Product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

- Increasing payroll taxes;
- Slowing the growth in benefits;
- Finding other revenue sources (such as general revenues); or

- Increasing expected returns by investing the OASI and DI Trust Fund asset reserves, at least in part, in private securities.

Significant uncertainty surrounds the estimates for the Statement of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near term and ultimate assumptions used in the projections. For more information, pages 95 through 106 contain the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board.

Limitations of the Financial Statements

The principal financial statements beginning on page 49 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Summary of Improper Payments Information

Background

The *Improper Payments Information Act of 2002* (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in programs susceptible to significant improper payments and the actions to reduce such payments. OMB guidance on IPIA implementation requires us to report improper payment information for the OASI, DI, and SSI programs.

President Obama signed the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) into law on July 22, 2010. IPERA amends IPIA and further increases our accountability, transparency, reporting of improper payments, and reporting on our payment recapture auditing efforts.

The enactment of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) provided an opportunity for OMB to re-examine existing guidance to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. On October 20, 2014, OMB issued implementing guidance to transform the improper payment compliance framework to create more unified, comprehensive, and less burdensome requirements.

We report information about our improper payments, as required by IPIA and amended by IPERA and IPERIA, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

What's New in the Improper Payments Information Detailed Report

Prior to FY 2015 reporting, OMB required agencies to categorize improper payments into one of three categories: Verification and Local Administration Errors, Administrative and Documentation Errors, and Authentication and Medical Necessity Errors. In OMB's implementing guidance for IPERIA, it established an Improper Payment Root Cause Matrix that provides new categories for improper payment reporting. This matrix allows agencies to better

present the different categories of improper payments in their programs and the percentage of total improper payments that each category represents.

Our new Internal Controls section provides a thoughtful analysis linking agency efforts in establishing internal controls over reducing improper payment rates. OMB will use the agency internal control summaries to monitor progress and ensure that planned actions result in the reduction of improper payment rates.

Agencies with high-priority programs are required to establish annual or semi-annual supplemental measures for reducing improper payments. These measures focus on higher risk areas within the high-priority programs and report on root causes of improper payments that agencies can resolve through corrective actions.

Agency Efforts and Future Plans

We have multiple efforts underway to prevent, detect, and recover our improper payments. For FY 2015, we continued to focus our improper payments strategy to align with our improper payments governance.

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a sample of OASI, DI, and SSI cases to determine payment accuracy rates. Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as data for other reports to monitoring authorities. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for current and previous reporting periods.

For the past five years, OASDI payments have been very accurate. However, the sheer magnitude of the payments made in the OASDI program, over \$862 billion in FY 2014, means that even a small percentage of error results in substantial improper payments. In FY 2014, the OASDI overpayment accuracy rate was 99.5 percent, representing projected overpayments of \$4.6 billion, and the underpayment accuracy rate was over 99.9 percent, or \$0.5 billion in projected underpayments. Each tenth of a percentage point in payment accuracy represents about \$862 million in OASDI program outlays.

In the SSI program, the overpayment accuracy rate remained steady over a 5-year period, FY 2010 through FY 2014, from 93.4 percent to 93.0 percent. We based the FY 2014 rate of 93.0 percent on overpaid dollars totaling a projected \$3.9 billion. In FY 2014, the SSI underpayment accuracy rate was 98.5 percent based on underpaid dollars totaling a projected \$0.8 billion. For FY 2014, each tenth of a percentage point in payment accuracy represented about \$56.5 million in SSI program outlays.

The following are examples of initiatives to improve payment accuracy in the OASDI and SSI programs. We provide additional information, as well as other corrective actions we have taken, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

New Improper Payment Initiative

In addition to enhancing our ongoing efforts for FY 2015, we are aggressively pursuing our new Data Exchange Initiative, which will enhance the administration of our programs and prevent improper payments. We developed a strategic initiative focused on making better use of data exchanges to further use data from outside sources to improve program administration and prevent improper payments. Our objective is to continue current computer matching agreements (CMA) that yield a positive cost benefit analysis, expand effective CMAs to meet additional program needs, research current programs and work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Examples of OASDI Improper Payment Initiatives

- To address errors because of substantial gainful activity (SGA) (Note: [A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html](http://www.socialsecurity.gov/oact/cola/sga.html)), we initiated a new computerized selection process to identify

cases with medical cessations where benefits are continuing. We are working on corrective actions on the cases identified and enhancing our automated solutions to prevent such errors in the future.

- To increase our post-entitlement accuracy, in FY 2014, we introduced an inline quality review in four of our processing centers. We found that our payment and processing accuracy improved, and we expanded its use to the remaining three processing centers in July 2015.

Examples of SSI Improper Payment Initiatives

- Access to Financial Institutions (AFI) is an electronic process that verifies alleged bank account balances with financial institutions to identify excess resources. In FY 2013, we further lowered the AFI threshold to verify liquid financial resources and increased undisclosed bank account searches. We are currently evaluating the effect of the expanded use on the AFI program, and we should complete our evaluation in December 2015.
- We rely on individuals to self-report wages to us on time, but from experience, we know that they may fail to report or fail to report soon enough to prevent an improper payment. Instead of relying solely on self-reporting, we are exploring using wage information we receive from other sources for timely and accurate wage reports. As part of the SSI application and redetermination processes, we will request that applicants and recipients provide their consent for us to obtain their personal information, such as wage information, from other sources.
- In FY 2013, we developed a pilot in 100 of our field offices to identify undisclosed real property owned by SSI recipients. The pilot provided information on cost savings and the feasibility of expansion to other field offices. The pilot results found that using this process was a cost effective method to reduce and prevent improper payments. We are currently in planning and analysis to design the systems integration that will support this process. We plan to begin development in FY 2016 with implementation in FY 2017.

SYSTEMS AND CONTROLS

Management Assurances

Federal Managers' Financial Integrity Act Assurance Statement Fiscal Year 2015

Management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA). We assessed 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 our evaluation, we can provide reasonable assurance that our internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2015 was operating effectively, and we found no material weaknesses in the design or operation of the internal controls.

In accordance with the requirements of OMB Circular No. A-123, Appendix A, we assessed the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of our annual financial statements, 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. The result of this evaluation provides reasonable assurance that our internal control over financial reporting was operating effectively as of September 30, 2015.

We also conduct reviews of financial management systems. Based on the results of these reviews, we can provide reasonable assurance that our financial management systems comply with the applicable provisions of the FMFIA as of September 30, 2015.



Carolyn W. Colvin
Acting Commissioner
November 9, 2015

Agency Federal Managers' Financial Integrity Act Program

We have a well-established, agency-wide management control and financial management systems program as required by the *Federal Managers' Financial Integrity Act* (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 completion.

Our managers are responsible for ensuring effective internal control in their areas of responsibility. We require senior-level executives to submit an annual statement to the Acting Commissioner providing reasonable assurance that functions and processes under their areas of responsibility were functioning as intended and that there were no major weaknesses that would require reporting, or a statement indicating they could not provide such assurance.

This executive accountability assurance provides an additional basis for the Acting Commissioner's annual assurance statement.

Our Executive Internal Control Committee, consisting of senior managers, ensures our compliance with FMFIA and other related legislative and regulatory requirements. If we identify a major control weakness, the Executive Internal Control Committee determines if the weakness is a material weakness that they would need to forward to our agency head for a final determination on whether to report a material weakness.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. We incorporate the necessary controls into the user requirements, certify the controls are in place by having management review the new or changed processes and systems, and test the controls prior to full implementation to ensure they are effective.

We identify management control issues and weaknesses 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. These reviews evaluate the adequacy and efficiency of our operations and systems, and provide an overall assurance that our business processes are functioning as intended. The reviews also ensure management controls and financial management systems comply with the standards established by FMFIA and Office of Management and Budget (OMB) Circular Nos. A-123 and A-130.

Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section of this report 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. We conduct these reviews at our field offices, processing centers, hearings offices, and at the State disability determination services. These reviews indicate our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems Review Program

The agency maintains a financial management systems inventory and conducts reviews of the financial management systems to ensure they meet Federal requirements. In addition to our financial systems, we also include all major programmatic systems in this financial management systems inventory. On a five-year cycle, an independent contractor performs detailed reviews of our financial management systems. During fiscal year (FY) 2015, 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 Acting Commissioner determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2015. In making this determination, she considered all the information available, including the auditor's opinion on our FY 2015 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. She also considered the results of our management control reviews and financial management systems reviews conducted by our independent contractor.

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

Financial Statement Audit

The Office of the Inspector General (OIG) contracted with Grant Thornton, LLP for the audit of our FY 2015 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.

In this year's financial statement audit, Grant Thornton cited a significant deficiency in our information systems controls in its opinion on internal control over financial reporting. We concur with the recommendations. We will continue to pursue a risk-based corrective action plan to address the remaining deficiency, and build on our progress to date.

Grant Thornton found deficiencies in our calculation, recording, and prevention of overpayments that, when aggregated, it considered a significant deficiency and provided recommendations to remediate the deficiencies. We concur with the recommendations and will continue to improve our benefit payment oversight.

Beginning this year, Grant Thornton also identified exceptions related to redetermination interviews and documentation it considered a significant deficiency. We will implement the necessary risk-based corrective actions to ensure consistent processing of redeterminations.

Please refer to the *Auditor's Reports* section of this report for more information on the auditors' findings and our plans to correct the findings.

Federal Information Security Management Act

The *Federal Information Security Management Act of 2002* (FISMA), as amended by the *Federal Information Security Modernization Act of 2014*, requires Federal agencies to ensure adequate security protections for Federal information systems and information. Under this act, Federal agencies must submit annual FISMA reports to OMB. This year's report was due by November 13, 2015. Our report summarizes the results of our security reviews of major information systems and programs, our progress on meeting the Administration's cybersecurity priorities, and the results of other work performed during the reporting period using OMB's performance measures.

During FY 2015, we continued to strengthen our information security program by implementing and improving our management controls to correct deficiencies cited by our Inspector General in our prior year financial statement audit. For the FY 2015 FISMA audit, Grant Thornton determined that we established an information security program and practices that were generally consistent with FISMA requirements. Grant Thornton found that, overall, we successfully met the FISMA metrics in the areas of Continuous Monitoring, Plans of Action and Milestones, Remote Access Management, Contingency Planning, and Contractor Systems. In the areas of Configuration Management, Identity and Access Management, Risk Management, Incident Response and Reporting, and Security Training, our auditors found we met the majority of metrics, but cited several findings.

As a result of the deficiencies noted above, Grant Thornton identified a significant deficiency under FISMA. As we do with all auditor findings, we will continue to aggressively pursue a risk-based corrective action plan to address the remaining findings and build on our progress to date.

Financial Management Systems Strategy

Over the years, we have worked hard to improve our financial management practices. We continue to develop new initiatives to 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.

Annually, we review and update our financial management systems inventory to reflect the most recent status of our systems modernization projects. We categorize our inventory of 12 financial management systems under the broad categories of Program Benefits, Debt Management, or Financial/Administrative and continue the long-term development of our financial management systems following a defined strategy. For example, in the Program Benefits category, we are streamlining systems and incorporating new legislative requirements.

In the Debt Management category, we continue to enhance our systems to recover program debt. We developed the External Collection Operation (ECO) system to select and refer our delinquent program overpayments to the Department of the Treasury (Treasury) for recovery through the Treasury Offset Program, for credit bureau reporting, and for Administrative Wage Garnishment. We implemented the ECO Address Verification project in February 2015. The ECO Address Verification project will verify the address of newly selected delinquent debtors before sending the ECO pre-offset notice. This project will allow us to reach a larger percentage of our debtors on our initial attempt to notify them of a potential offset of a Federal or State payment.

In FY 2016, we will begin planning and analysis for the Overpayment Redesign project. This initiative will address various overpayment systems limitations identified via audits and other sources. Our goal is to build one comprehensive overpayment system that will enable us to track, collect, monitor, and report our programmatic overpayment activity more efficiently.

For the Financial/Administrative systems category, OMB Memorandum M-10-26 provided guidance on dividing financial system implementation projects into smaller, simpler segments with clear deliverables, focusing on the most critical business needs first, and having ongoing, transparent project oversight. Since the inception of the Social Security Online Accounting and Reporting System (SSOARS) project, our approach to implementation, modernization, and maintenance has been, and will continue to be, consistent with these principles.

SSOARS is a federally certified accounting system based on Oracle Federal Financials and consists of core accounting, payables, and receivables. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems. SSOARS was the first Federal agency accounting system to successfully achieve Federal Financials Release 12, and SSOARS has been upgraded to Release 12.1.3.

In December 2014, we completed the nationwide rollout of a new subsystem, the Social Security Electronic Remittance System (SERS), to collect administrative fees in all field offices. SERS fits our agency's vision to eliminate cash transactions, use card swipe and check scanner technology, and adopt processes that are prevalent throughout the banking and retail sectors. Our SERS credit card machines are equipped with the latest Chip-and-PIN capability.

SERS is fully integrated with SSOARS and Treasury systems that track collection activity. We are currently exploring expanding SERS functionality to collect payments for other types of services we provide.

We completed the replacement of outdated and unsupported technology used for the SSOARS Financial Information System (FIS). We use SSOARS FIS agency-wide to access the spending data recorded in SSOARS. The new technology features:

- Improved security;
- Faster access to the homepage for new users;
- Fewer forms, tabs, and links for easier navigation; and
- Simplified report queries with user-configurable forms.

We began to replace the SSOARS infrastructure with state-of-the-art servers that will consolidate software programs and consume less energy. We have acquired all new hardware. We are configuring the hardware for the SSOARS move to the new National Support Center in Urbana, Maryland in calendar year 2016.

National Anti-Fraud Committee

For many years, our regional offices have successfully collaborated with regional OIG agents and local law enforcement on regional anti-fraud committees (RAFC). In FY 2014, we reinstated the National Anti-Fraud Committee (NAFC), co-chaired by the Inspector General and our Deputy Commissioner for Budget, Finance, Quality, and Management. The NAFC leads and supports national and regional strategies to combat fraud, waste, and abuse. Support includes, but is not limited to, the following:

- Providing an open forum for agency senior executives to collaborate and develop agency-level strategies to address fraud challenges;
- Considering best practices, benchmarking, and new or evolving technology and analytical techniques to help prevent and detect fraud;
- Ensuring that the agency addresses the most critical vulnerabilities related to fraud;
- Serving as an advisory board for the newly established Office of Anti-Fraud Programs (OAFP);
- Evaluating potential anti-fraud initiatives introduced by the RAFCs, workgroups, and employee suggestions; and
- Visibly demonstrating the agency's commitment to combatting fraud and fostering public confidence in the stewardship of our programs.

On November 24, 2014, the Acting Commissioner approved the establishment of OAFP. An Associate Commissioner-level office, OAFP's mission is to more efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse of our programs. OAFP provides oversight and accountability for the agency's anti-fraud activities, working closely with the NAFC.

The NAFC co-chairs and OAFP meet periodically to ensure sustained attention on anti-fraud efforts. With the support of OAFP, the NAFC co-chairs convene regular meetings of the full NAFC membership. At any time, members may ask the co-chairs to call a meeting to discuss issues that require agency-level attention. On September 16, 2015, OAFP and the NAFC co-chairs hosted a National Anti-Fraud Conference to share best practices and discuss FY 2016 priorities and initiatives.