A MESSAGE FROM THE ACTING COMMISSIONER

I am pleased to present the Social Security Administration's fiscal year (FY) 2015 *Agency Financial Report* (AFR). This year, as we observe our 80th anniversary, I invite you to join us in celebrating our past and helping us to build our future.

Our AFR describes how we managed our resources and administered our programs, and demonstrates our commitment to responsible stewardship. Through our AFR, we hope that the public will better understand our programs, challenges, and accomplishments in achieving our mission of delivering Social Security services that meet the changing needs of the public. Despite the challenges we face, we work hard to meet the public's expectations and continue to make great strides by focusing on our Strategic Goals:

- Deliver innovative, quality services;
- Strengthen the integrity of our programs;
- Serve the public through a stronger, more responsive disability program;
- Build a model workforce to deliver quality service; and,
- Ensure reliable, secure, and efficient information technology services.

This year, 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. As part of our vision, we embrace technological enhancements to achieve efficiency without sacrificing the personalized service for which we are known. We are committed to providing face-to-face service to all those who need or want it, while continuing to develop our online services. As we expand our online services, we are focused on enhancing our approach to exceeding cyber security requirements to prevent misuse and unauthorized access to our systems and data. We maintain a comprehensive, agency-wide information security program to protect information and systems assets. As we discover new threats, we deploy new tools and techniques to mitigate risks to our information security.

We remain committed to strengthening the integrity of our programs. In FY 2015, we invested in and expanded efforts to combat fraud, waste, and abuse. To centralize our efforts to identify fraud that undermines our mission, we created a new Office of Anti-Fraud Programs that works closely with our Office of the Inspector General. We use a variety of approaches, including data analytics, to help us detect and prevent fraud.

We are also exploring new technologies and using modern tools to improve efficiency in our disability program. For example, we are promoting the use of telephone and mobile wage reporting for the Supplemental Security Income program, refining the electronic claims analysis tool, and collaborating with other Federal agencies to improve the overall efficiency and effectiveness of our service to the public.

For the 22nd consecutive year, we received an unmodified opinion on our financial statements. Based on our internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate. I am also pleased to announce that we have no material weaknesses in our internal controls.

Our AFR reflects the tireless efforts of our employees, who are our greatest asset. Each day, our staff works diligently to serve the public with care and compassion. Our employees' hard work and commitment are vital to our continued success in providing a superior customer experience to the American public.

Carolyn W. Colvin

Carolyn W. Colvin
Acting Commissioner
November 9, 2015

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To access this report online, please visit our **Fiscal Year 2015 *Agency Financial Report* webpage (www.socialsecurity.gov/finance)**.

INTRODUCTION

For fiscal year (FY) 2015, we chose to produce an *Agency Financial Report* (AFR) and an *Annual Performance Report* (APR). Our AFR provides financial management and high-level performance information that enables the President, Congress, and the public to assess how well we accomplished our mission, achieved our goals, and managed the financial resources entrusted to us. We organize our AFR into the following major sections:

Management's Discussion and Analysis: The *Management's Discussion and Analysis* section gives an overview of our mission, organization, Strategic Goals and Objectives, Priority Goals, and key FY 2015 performance measures. We highlight the FY 2015 results of our key performance measures and discuss our accomplishments and plans to achieve our mission. We provide a summary of the financial information contained in subsequent sections of the AFR. We also include a synopsis of our systems, controls, and legal compliance.

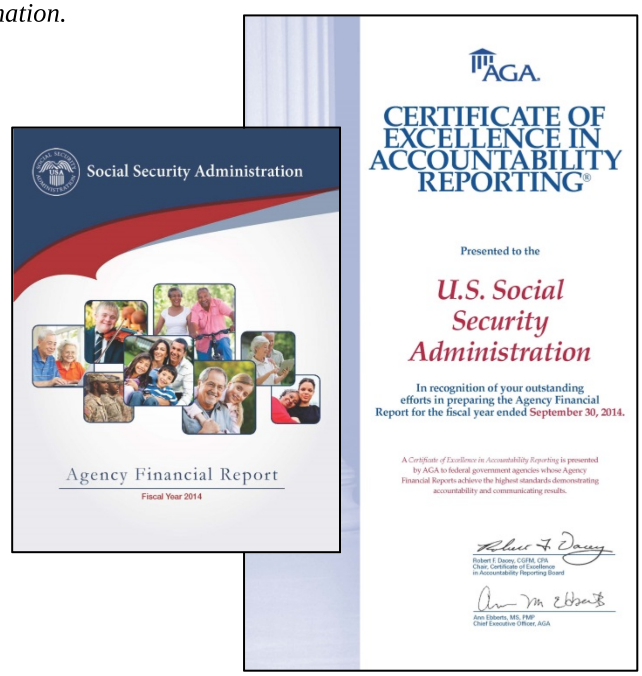
Financial Section: The *Financial Section* contains the Acting Chief Financial Officer's Message, our audited financial statements, the accompanying notes to those statements, and required supplementary information, including the Schedule of Budgetary Resources and information on Social Insurance. This section concludes with the auditor's reports.

Other Information: The *Other Information* section includes the *Inspector General Statement on SSA's Major Management and Performance Challenges*, as well as our Summary of Financial Statement Audit and Management Assurances tables. We also provide information on our entitlement reviews and the Office of the Inspector General's anti-fraud activities, civil monetary penalties, biennial review of user fee charges, Freeze the Footprint initiative, and debt management activities. The *Improper Payments Information Detailed Report* concludes this section.

Appendix: The *Appendix* includes a glossary of acronyms, a list of our agency's top management officials, the members of the Board of Trustees, and the members of the Social Security Advisory Board.

We will present detailed performance results in our FY 2015 APR, which we will publish as part of our Congressional Budget Justification. We plan to publish our FY 2015 APR in February 2016 along with our FY 2015 *Summary of Performance and Financial Information.*

For the 17th year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting award for our annual Agency Financial Report. Receiving the Certificate of Excellence in Accountability Reporting for our FY 2014 Agency Financial Report is a significant accomplishment for a Federal agency.



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.

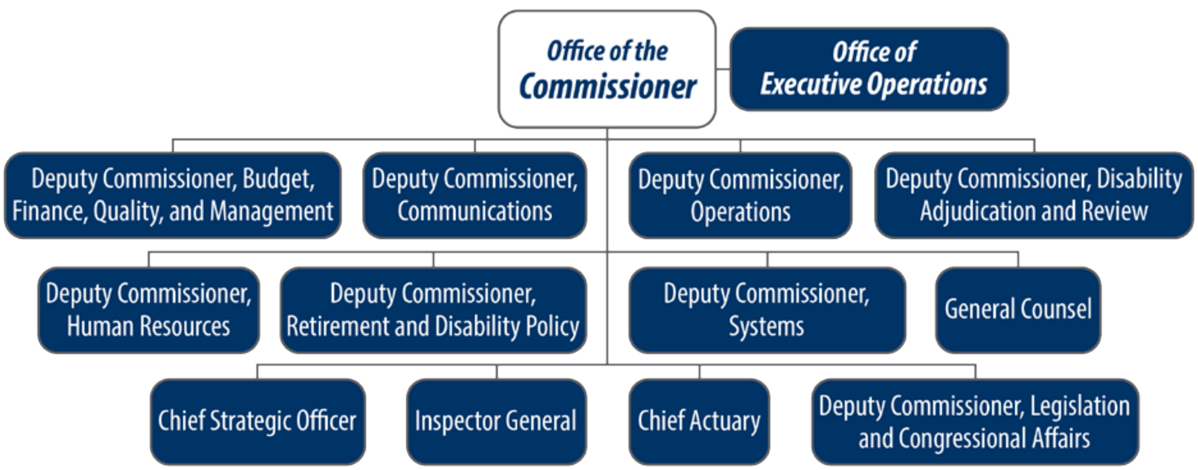
Our Organization

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).

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).

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). 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) as a part of the *President's FY 2016 Budget Request* (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).

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/).

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/).

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.

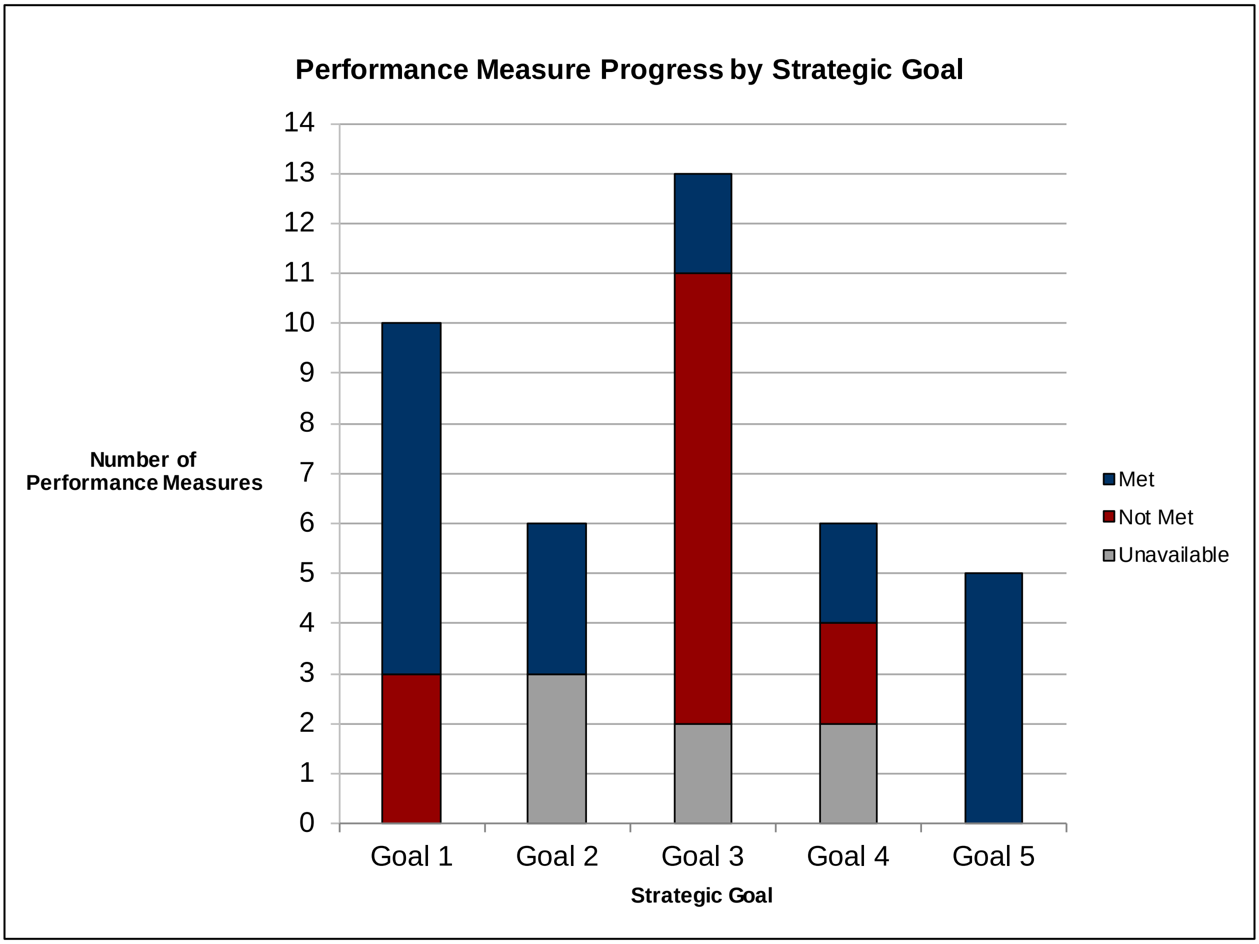
Additional information about CAP goals and our participation in them is available on Performance.gov (www.performance.gov/clear_goals).

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) and Apple app (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

Faces and Facts of Disability

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). 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 Measures[1]
(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 Sources[2]	$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:

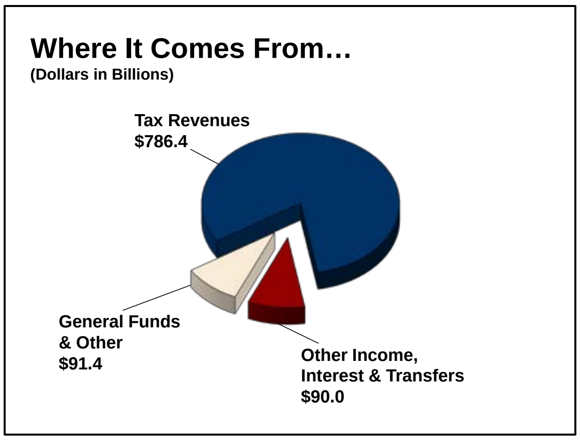
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average benefit payment per month for OASI and DI programs and the monthly maximum benefit amount for the SSI program are presented in actual dollars.

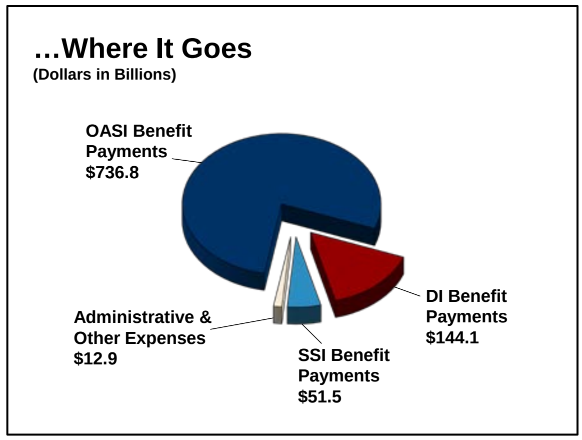
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 52 presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of $22.5 billion 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.





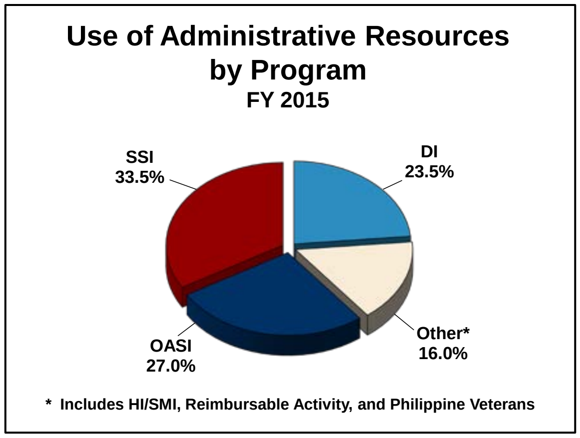
The SSI program's Cumulative Results of Operations are negative causing the program's overall Net Position to be negative. The Cumulative Results are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's 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

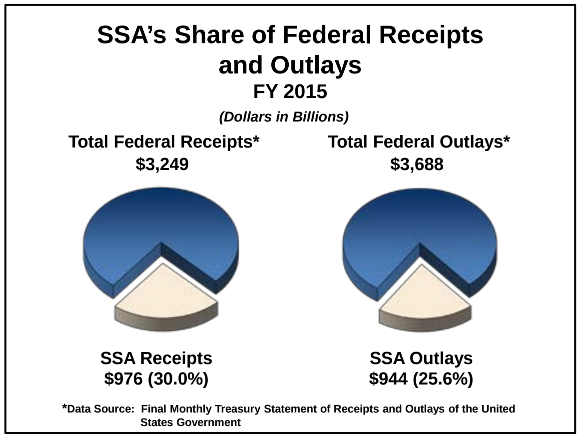
The chart on the next page displays the use of all administrative resources (including general operating expenses) for FY 2015 in terms of the programs we administer or support. Although the DI program comprises only 15.5 percent of the total benefit payments we make, it consumes 23.5 percent of annual 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 Measures[1]
(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.

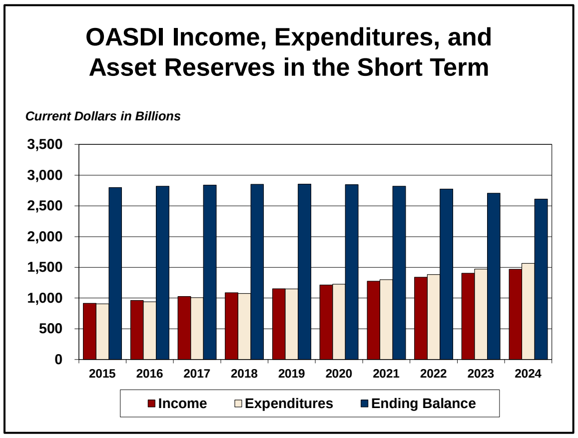
Number of Months of Expenditures Fiscal-Year-End Asset Reserves Can Pay[1,2]

	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), 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.

Financial Section

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A MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER

At Social Security, we strive to deliver services that meet the changing needs of the public, when and where they need us. Although we face many challenges, including resource constraints and the need to modernize our information technology systems, we are dedicated to achieving our mission as efficiently and effectively as possible. I am pleased to report that our funding in fiscal year (FY) 2014 and FY 2015 allowed us to restore services in critical areas. With sustained, adequate funding, we can continue to improve our service and achieve our *Vision 2025*.

At every step, it is our dedicated financial management staff, and our steadfast dedication to financial reporting excellence, transparency, and accountability, that ensures our success as responsible stewards of the funds the American people entrust to us. This year, we received our 22nd consecutive unmodified audit opinion, and therefore, I am honored to join Acting Commissioner Colvin in presenting our FY 2015 *Agency Financial Report*.

The unmodified audit opinion we received on our financial statements confirms that our financial statements fairly present the financial position of our agency and are free of material misstatement. We also received an unmodified opinion from our independent auditor on our assertion that our internal control over financial reporting was operating effectively during FY 2015. The independent auditor determined that we had no material weaknesses, but continued to cite two significant deficiencies identified in prior years. The first significant deficiency concerns our information systems controls and the second relates to our calculation, recording, and prevention of overpayments. The auditors also identified a new significant deficiency regarding our redeterminations process. We are committed to resolving these deficiencies as quickly as possible. We will continue to make significant strides to strengthen our control environment and mitigate risks by implementing our risk-based corrective action plans. We provide additional information on the auditor's findings and our corrective actions in the *Systems and Controls* and *Auditor's Reports* sections of this report.

In FY 2015, we improved the technology we use to ensure relevant, reliable, and timely accounting and management information. We completed the implementation of our field office administrative fee collection system by adding functionality to track, record, and report on fees collected for non-programmatic services we provide to individuals and third parties. We accept payment for these services by check or credit card. For our financial reporting system, we replaced outdated and unsupported software with new software. The new software provides faster access to the homepage for a new user, standardized functionalities for improved user productivity, and easy system maintenance. Finally, we acquired new hardware to replace our aging financial system infrastructure. These state-of-the-art servers will consolidate software programs, improve system performance of applications and databases, and consume less energy. Implementation of the new hardware is ongoing.

We have a zero tolerance for fraud, and we are committed to deterring, detecting, and mitigating it. Supported by SSA's National Anti-Fraud Committee, which I co-chair with the Inspector General, we established the Office of Anti-Fraud Programs (OAFP), to lead the agency's nationwide anti-fraud initiatives. OAFP develops the policy, analytical capability, and operational capacity to enhance the agency's ability to prevent fraud attempts, stop those who would abuse our programs, and develop cases for administrative action or investigation by the Office of the Inspector General.

As part of our commitment to serve the public when and where they need us, we are proud of our nationwide network of field and hearing offices offering in-person service. However, we also take seriously our responsibility to make the most efficient use of our resources. I am proud that we made further progress to freeze and reduce our real property footprint. We were able to capitalize on opportunities to scale back our footprint by consolidating staff from many leased locations into existing agency-owned space. We continue to evaluate our facility needs and pursue consolidation opportunities where it makes sound business sense, while ensuring that we have appropriate levels of in-person service options available to the public.

Finally, for our outstanding reporting efforts in our FY 2014 *Agency Financial Report*, the Association of Government Accountants awarded us the Certificate of Excellence in Accountability Reporting. We have received this esteemed award for 17 consecutive years.

The accomplishments in this report are a reflection of our employees' dedication to setting a high standard in financial management. We look forward to implementing even stronger fiscal policies and practices to provide the American taxpayer the maximum value for the resources entrusted to us.

M. Elizabeth Reich

M. Elizabeth Reich
Acting Chief Financial Officer
November 9, 2015

Financial Statements and Additional Information

Our agency's financial statements and additional information for fiscal years (FY) 2015 and 2014 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2015 and 2014, amounts of economic benefits we owned or managed (assets), amounts we owed (liabilities), and residual amounts we retained, comprising the difference (net position). We provide a Balance Sheet by Major Program as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2015 and 2014. Our net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by our major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. We provide a Schedule of Net Cost to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2015 and 2014. Changes to the two components of net position, Cumulative Results of Operations and Unexpended Appropriations, affect its balance. The Statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. We provide a Schedule of Changes in Net Position to present the change in net position by major programs as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to us, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2015 and 2014. We provide an additional Schedule of Budgetary Resources as Required Supplementary Information to present budgetary resources by major programs.
- The **Statement of Social Insurance** presents the present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) estimated future noninterest income and cost expected to arise from the formulas specified in current law for current and future program participants. We present the difference between these values on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund asset reserves at the beginning of the period.
- The **Statement of Changes in Social Insurance Amounts** reconciles the changes, from one 75-year valuation period to the next, in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure). The Statement shows two reconciliations: (1) changing from the period beginning on January 1, 2014 to the period beginning on January 1, 2015; and (2) changing from the period beginning on January 1, 2013 to the period beginning on January 1, 2014. This Statement identifies several changes that are significant and provides reasons for the changes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries, and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures include a narrative describing the program, including how the program is financed and how benefits are calculated, as well as an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2015 and 2014

(Dollars in Millions)

Assets	2015	2014
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	$ 7,069	$ 4,892
Investments (Note 5)	2,808,287	2,782,918
Interest Receivable (Note 5)	22,688	24,052
Accounts Receivable, Net (Note 6)	280	391
Other (Note 8)	18	19
Total Intragovernmental	2,838,342	2,812,272
Accounts Receivable, Net (Notes 3 and 6)	14,170	13,186
Property, Plant, and Equipment, Net (Note 7)	4,145	3,476
Other (Note 8)	4	4
Total Assets	$ 2,856,661	$ 2,828,938
Liabilities (Note 9)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	$ 4,483	$ 4,490
Accounts Payable	7,539	6,871
Other	147	145
Total Intragovernmental	12,169	11,506
Benefits Due and Payable	98,554	93,903
Accounts Payable	461	481
Federal Employee and Veteran Benefits	329	348
Other	884	874
Total Liabilities	112,397	107,112
Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - All Other Funds	3,779	1,946
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	2,738,390	2,718,230
Cumulative Results of Operations - All Other Funds	2,095	1,650
Total Net Position - Funds from Dedicated Collections (Note 10)	2,738,390	2,718,230
Total Net Position - All Other Funds	5,874	3,596
Total Net Position	2,744,264	2,721,826
Total Liabilities and Net Position	$ 2,856,661	$ 2,828,938

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Net Cost for the Years Ended September 30, 2015 and 2014

(Dollars in Millions)

	2015	2014
OASI Program		
Benefit Payment Expense	$ 736,752	$ 701,037
Operating Expenses (Note 11)	3,500	3,521
Total Cost of OASI Program	740,252	704,558
Less: Exchange Revenues (Notes 12 and 13)	(15)	(13)
Net Cost of OASI Program	740,237	704,545
DI Program		
Benefit Payment Expense	144,102	142,594
Operating Expenses (Note 11)	3,044	3,023
Total Cost of DI Program	147,146	145,617
Less: Exchange Revenues (Notes 12 and 13)	(39)	(37)
Net Cost of DI Program	147,107	145,580
SSI Program		
Benefit Payment Expense	51,520	50,844
Operating Expenses (Note 11)	4,336	4,192
Total Cost of SSI Program	55,856	55,036
Less: Exchange Revenues (Notes 12 and 13)	(243)	(331)
Net Cost of SSI Program	55,613	54,705
Other		
Benefit Payment Expense	3	4
Operating Expenses (Note 11)	2,077	1,992
Total Cost of Other Program	2,080	1,996
Less: Exchange Revenues (Notes 12 and 13)	(9)	(8)
Net Cost of Other	2,071	1,988
Total Net Cost		
Benefit Payment Expense	932,377	894,479
Operating Expenses (Note 11)	12,957	12,728
Total Cost	945,334	907,207
Less: Exchange Revenues (Notes 12 and 13)	(306)	(389)
Total Net Cost	$ 945,028	$ 906,818

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2015 and 2014

(Dollars in Millions)

	2015			2014		
	Funds from Dedicated Collections	**All Other Funds**	**Total**	Funds from Dedicated Collections	All Other Funds	Total
Cumulative Results of Operations:						
Beginning Balances	$ 2,718,230	$ 1,650	$ 2,719,880	$ 2,695,832	$ 1,473	$ 2,697,305
Budgetary Financing Sources						
Appropriations Used	30,663	59,392	90,055	25,664	59,043	84,707
Tax Revenues (Note 14)	786,402	0	786,402	751,339	0	751,339
Interest Revenues	94,601	0	94,601	99,247	0	99,247
Transfers-In/Out - Without Reimbursement	(5,437)	7,354	1,917	(5,048)	6,686	1,638
Railroad Retirement Interchange	(4,669)	0	(4,669)	(4,687)	0	(4,687)
Net Transfers-In/Out	(10,106)	7,354	(2,752)	(9,735)	6,686	(3,049)
Other Budgetary Financing Sources	55	0	55	96	0	96
Other Financing Sources (Non-Exchange)						
Transfer In/Out	0	0	0	0	(250)	(250)
Imputed Financing Sources (Note 15)	0	524	524	0	569	569
Other	0	(3,252)	(3,252)	0	(3,266)	(3,266)
Total Financing Sources	901,615	64,018	965,633	866,611	62,782	929,393
Net Cost of Operations	881,455	63,573	945,028	844,213	62,605	906,818
Net Change	20,160	445	20,605	22,398	177	22,575
Cumulative Results of Operations	$ 2,738,390	$ 2,095	$ 2,740,485	$ 2,718,230	$ 1,650	$ 2,719,880
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 1,946	$ 1,946	$ 0	$ 262	$ 262
Budgetary Financing Sources						
Appropriations Received	30,663	61,242	91,905	25,664	60,738	86,402
Other Adjustments	0	(17)	(17)	0	(11)	(11)
Appropriations Used	(30,663)	(59,392)	(90,055)	(25,664)	(59,043)	(84,707)
Total Budgetary Financing Sources	0	1,833	1,833	0	1,684	1,684
Total Unexpended Appropriations	0	3,779	3,779	0	1,946	1,946
Net Position	$ 2,738,390	$ 5,874	$ 2,744,264	$ 2,718,230	$ 3,596	$ 2,721,826

The accompanying notes are an integral part of these financial statements.

Combined Statements of Budgetary Resources for the Years Ended September 30, 2015 and 2014

(Dollars in Millions)

	2015	2014
Budgetary Resources (Note 16)		
Unobligated Balance, Brought Forward, October 1	$ 2,740	$ 986
Recoveries of Prior Year Unpaid Obligations	849	355
Other Changes in Unobligated Balance	136	134
Unobligated Balance From Prior Year Budget Authority, Net	3,725	1,475
Appropriations (Discretionary and Mandatory)	984,099	940,921
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	14,631	15,088
Total Budgetary Resources	$ 1,002,455	$ 957,484
Status of Budgetary Resources		
Obligations Incurred (Note 16)		
Direct	$ 995,382	$ 951,404
Reimbursable	2,704	3,340
Total Obligations Incurred	998,086	954,744
Unobligated Balance, End of Year		
Apportioned	3,804	2,466
Unapportioned	565	274
Total Unobligated Balance, End of Year	4,369	2,740
Total Budgetary Resources	$ 1,002,455	$ 957,484
Change in Obligated Balance		
Unpaid obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 100,329	$ 95,317
Obligations Incurred	998,086	954,744
Outlays, Gross	(992,703)	(949,377)
Recoveries of Prior Year Unpaid Obligations	(849)	(355)
Unpaid Obligations, End of Year	$ 104,863	$ 100,329
Uncollected payments:		
Uncollected Payments, Federal Sources, Brought Forward, October 1	$ (3,163)	$ (2,926)
Change in Uncollected Payments, Federal Sources	258	(237)
Uncollected Payments Federal Sources, End of Year	(2,905)	(3,163)
Memorandum (non-add) Entries:		
Obligated Balance, Start of Year	$ 97,166	$ 92,391
Obligated balance, End of Year	$ 101,958	$ 97,166
Budgetary Authority and Outlays, Net		
Budget Authority, Gross (Discretionary and Mandatory)	$ 998,730	$ 956,009
Actual Offsetting Collections (Discretionary and Mandatory)	(14,889)	(14,851)
Change in Uncollected Customer Payments From Federal Sources (Discretionary and Mandatory)	258	(237)
Budget Authority, Net (Discretionary and Mandatory)	984,099	940,921
Outlays, Gross (Discretionary and Mandatory)	992,703	949,377
Actual Offsetting Collections (Discretionary and Mandatory)	(14,889)	(14,851)
Outlays, Net (Discretionary and Mandatory)	977,814	934,526
Distributed Offsetting Receipts	(33,694)	(28,754)
Agency Outlays, Net (Discretionary and Mandatory)	$ 944,120	$ 905,772

The accompanying notes are an integral part of these financial statements.

Statement of Social Insurance
Old-Age, Survivors, and Disability Insurance
as of January 1, 2015
(Dollars in Billions)

		Estimates from Prior Years			
	2015	**2014**	**2013**	**2012**	**2011**
Present value for the 75-year projection period from or on behalf of: (Note 18)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	$ 1,166	$ 984	$ 908	$ 847	$ 726
Cost for scheduled future benefits	12,833	11,852	11,021	9,834	8,618
Future noninterest income less future cost	-11,667	-10,868	-10,112	-8,988	-7,892
Participants who have not yet attained retirement eligibility age (ages 15-61):					
Noninterest income	27,791	25,391	24,591	22,703	20,734
Cost for scheduled future benefits	45,276	42,419	40,591	37,753	34,042
Future noninterest income less future cost	-17,486	-17,028	-16,000	-15,050	-13,309
Present value of future noninterest income less future cost for current participants (closed group measure)	-29,152	-27,896	-26,113	-24,038	-21,201
Combined OASI and DI Trust Fund asset reserves at start of period	2,789	2,764	2,732	2,678	2,609
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	-$ 26,363	-$ 25,131	-$ 23,381	-$ 21,360	-$ 18,592
Present value for the 75-year projection period from or on behalf of: (Note 18)					
Future participants (those under age 15, and to be born and to immigrate during period):					
Noninterest income	26,580	24,594	23,419	21,649	20,144
Cost for scheduled future benefits	10,867	10,028	9,600	8,890	8,100
Future noninterest income less future cost	15,713	14,566	13,819	12,759	12,044
Present value of future noninterest income less future cost for current and future participants (open group measure)	-13,440	-13,330	-12,294	-11,278	-9,157
Combined OASI and DI Trust Fund asset reserves at start of period	2,789	2,764	2,732	2,678	2,609
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	-$ 10,650	-$ 10,565	-$ 9,562	-$ 8,601	-$ 6,548

Notes:

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

Future noninterest income and future cost are estimated over the appropriate 75-year period.

Statement of Changes in Social Insurance Amounts
Old-Age, Survivors, and Disability Insurance
For Changing the 75-Year Valuation Period from

January 1, 2014 to January 1, 2015
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2014	-$ 13,330	$ 2,764	-$ 10,565
Reasons for changes between January 1, 2014 and January 1, 2015 (Note 18)			
Change in the valuation period	-560	19	-541
Changes in demographic data, assumptions, and methods	-103	0	-103
Changes in economic data, assumptions, and methods	-146	0	-146
Changes in programmatic data and methods	671	6	676
Changes in law or policy	29	0	29
Net change between January 1, 2014 and January 1, 2015	-$ 110	$ 25	-$ 85
As of January 1, 2015	-$ 13,440	$ 2,789	-$ 10,650

January 1, 2013 to January 1, 2014
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2013	-$ 12,294	$ 2,732	-$ 9,562
Reasons for changes between January 1, 2013 and January 1, 2014 (Note 18)			
Change in the valuation period	-540	28	-512
Changes in demographic data, assumptions, and methods	235	0	235
Changes in economic data, assumptions, and methods	-604	0	-604
Changes in programmatic data and methods	-90	4	-86
Changes in law or policy	-37	0	-37
Net change between January 1, 2013 and January 1, 2014	-$ 1,035	$ 32	-$ 1,003
As of January 1, 2014	-$ 13,330	$ 2,764	-$ 10,565

Notes:

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

Future noninterest income and future cost are estimated over the appropriate 75-year period.

Notes to the Basic Financial Statements For the Years Ended September 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the U.S. Government, is responsible for administering the Nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, the present value for the 75-year projection period for social insurance, and the changes in the present value between the current valuation period and prior valuation period, as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*.

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America for Federal entities and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only Statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board. The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), four general fund appropriations, three receipt accounts, and one special fund.

LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The four general funds are the Payments to Social Security Trust Funds (PTF), SSI Program, Office of the Inspector General (OIG), and Special Veterans Benefits (Title VIII) Program. The three receipt accounts are SSI Overpayment Collections, the General Fund's portion of the SSI State Supplementation fees, and SSI Attorney fees. The one special fund is SSA's portion of the SSI State Supplementation fees. SSA's financial statements also include OASI and DI investment activities performed by the Department of the Treasury (Treasury) and activity related to the *American Recovery and Reinvestment Act of 2009* (ARRA). SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations and ARRA activity, but also contains SSI Overpayment Collections and other non-material activities.

Fund Balance with Treasury

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and Note 4, Fund Balance with Treasury.

Investments

Daily deposits received by the OASI and DI Trust Funds that are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201 (d) of the *Social Security Act*. These investments consist of Treasury special-issue securities. Special-issue securities are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets. Refer to Note 5, Investments and Interest Receivable.

Property, Plant, and Equipment

SSA records its property, plant, and equipment (PP&E) in the LAE program, but the PP&E represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. SSA allocates user charges to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally developed, contractor-developed, and commercial off-the-shelf software. The capitalization threshold for most PP&E categories is $100 thousand. Site preparation for Automated Data Processing (ADP) and Telecommunications, and Buildings and Other Structures are capitalized with no threshold. Refer to Note 7, Property, Plant, and Equipment, Net.

SSA presents the change in our PP&E from one reporting period to the next on the chart in Note 17, Reconciliation of Net Cost of Operations to Budget, on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets that affect budgetary obligations.

In FY 2015, while performing an internal review of PP&E, SSA discovered certain prior year internal use software activity that had not been capitalized. We identified contractor-developed internal use software, as well as SSA developed software that had not been captured prior to FY 2015. The total Net Book Value of the previously unrecorded activity was $399 million as of September 30, 2014. SSA determined that this unintentional error was not material to the financial statements, and therefore, recorded the activity during FY 2015. This activity increased SSA’s FY 2015 Property, Plant, and Equipment and Total Assets line items on the Consolidated Balance Sheets. In addition, this activity decreased SSA’s FY 2015 Operating Expense and Total Net Cost line items on the Consolidated Statements of Net Cost. Refer to Note 7, Property, Plant, and Equipment, Net.

Benefits Due and Payable

SSA accrues liabilities for OASI and DI benefits due for the month of September, which by statute, are not paid until October. Also, SSA accrues liabilities on benefits for past periods that have not completed processing by the close of the period, such as adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 9, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a federally recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, SSA subsequently distributes administrative expenses during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. SSA initially makes all such distributions on an estimated basis and adjusts to actual each year, as provided for in Section 1534 of Title 31, United States Code (U.S.C.).

SSA incurs obligations in the LAE accounts as activity is processed. SSA incurs obligations in each of the financing sources once we record LAE's authority. The Centers for Medicare and Medicaid Services reports obligations that SSA incurred in the HI and SMI Trust Funds. Because SSA reports LAE with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources and this Statement does not allow eliminations, we record LAE's obligations twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Tax revenue, which consists of funds transferred from the Treasury to the OASI and DI Trust Funds for employment taxes (*Federal Insurance Contributions Act* (FICA) and *Self Employment Contributions Act* (SECA)), represents SSA's largest financing source. Additional financing sources consist of interest revenue from the Trust Fund investments, taxation on benefits, drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts, and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the activities that are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 14, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 12, Exchange Revenues. SSA may use exchange revenue financing sources to pay for current operating expenses as specified by law.

Funds from Dedicated Collections

SFFAS No. 43, *Funds from Dedicated Collections*, requires separate presentation and disclosure of funds from dedicated collections balances in the financial statements. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources, which remain available over time. Funds from dedicated collections must meet the following criteria:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

SSA's funds from dedicated collections are the OASI and DI Trust Funds, funds collected through the taxation of Social Security benefits, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 10, Funds from Dedicated Collections, for additional information.

Application of Critical Accounting Estimates

The Statement of Social Insurance and Statement of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each Statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 18, Social Insurance Disclosures.

2. Centralized Federal Financing Activities

SSA's financial activities interact with, and are dependent on, the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance, and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

SSA occupies buildings that have been leased by the General Services Administration (GSA) or have been constructed using Public Building Funds. These financial statements reflect SSA's payments to GSA for their lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the Office of Personnel Management (OPM) administered contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). SSA makes matching contributions to FERS. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983, are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS. Refer to Note 15, Imputed Financing, for additional information.

SSA contributions to CSRS were $45 and $52 million for the years ended September 30, 2015 and 2014. SSA contributions to the basic FERS plan were $536 and $455 million for the years ended September 30, 2015 and 2014. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were $171 and $159 million for the years ended September 30, 2015 and 2014. These Statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by OPM.

3. Non-Entity Assets

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA displays its Non-Entity Assets in Chart 3a. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable, Net; and (2) General Fund’s portion of fees collected to administer Title VIII State Supplementation.

Chart 3a - Non-Entity Assets as of September 30:
($ in millions)

	2015			2014		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supp Fees	$ 2	$ 0	$ 2	$ 2	$ 0	$ 2
SSI Fed/State Accounts Receivable, Net	7,964	(492)	7,472	7,287	(400)	6,887
Total	$ 7,966	$ (492)	$7,474	$ 7,289	$ (400)	$6,889

SSA has reduced the SSI Accounts Receivable, Net, by intra-agency eliminations. SSI accounts receivable is recognized as a non-entity asset. Public Law 101-517 requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund, and will not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. When a beneficiary does not receive their full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

Title VIII State Supplementation fee collections are classified as exchange revenue. These fees are included in the Fund Balance with Treasury as of September 30, 2015 and 2014.

Chart 3b provides a breakout between Non-Entity and Entity assets.

Chart 3b - Non-Entity/Entity Asset Breakdown as of September 30:
($ in millions)

	2015	2014
Non-Entity Assets	$ 7,474	$ 6,889
Entity Assets	2,849,187	2,822,049
Total Assets	$ 2,856,661	$ 2,828,938

4. Fund Balance with Treasury

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other includes PTF, ARRA, deposit funds, and a receipt account. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and do not directly correspond with the budgetary lines shown in the chart. Therefore, amounts in Chart 4b will not match corresponding activity on the Combined Statements of Budgetary Resources.

Chart 4a - Fund Balances as of September 30:
($ in millions)

	2015	2014
Trust Funds*		
OASI	$ (95)	$ (106)
DI	18	(187)
LAE	(30)	(27)
General Funds		
SSI	6,936	4,904
Other	199	265
Other Funds		
SSI	37	39
Other	4	4
Total	$ 7,069	$ 4,892

Note:
*The phrase "Trust Funds" is being used as the fund type as defined by OMB.

Chart 4b - Status of Fund Balances as of September 30:
($ in millions)

	2015	2014
Unobligated Balance		
Available	$ 3,566	$ 2,052
Unavailable	369	48
Obligated Balance Not Yet Disbursed	3,200	3,069
OASI, DI, and LAE	(107)	(320)
Non-Budgetary Fund Balance with Treasury	41	43
Total	$ 7,069	$ 4,892

The negative fund balances reported for the OASI and LAE Trust Funds as of September 30, 2015 and for the OASI, DI, and LAE Trust Funds as of September 30, 2014 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, SSA does not reclassify the negative balances as liabilities on the Consolidated Balance Sheets.

5. Investments and Interest Receivable

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest-bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Secretary of the Treasury to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA displays its investments in Special-Issue U.S. Treasury Securities, as reported on the Consolidated Balance Sheets, in Chart 5.

Chart 5 - Investments as of September 30:
($ in millions)

	2015	2014
OASI	$ 2,766,649	$ 2,712,805
DI	41,638	70,113
Total	$ 2,808,287	$ 2,782,918

The interest rates on these investments range from 1.375 to 5.625 percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the year 2016 to the year 2030. Accrued interest receivable on the OASI and DI Trust Fund investments with the Treasury is an Intragovernmental Interest Receivable, reported on the Consolidated Balance Sheets. Interest Receivable amounts are $22,688 and $24,052 million as of September 30, 2015 and 2014.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the Treasury. Because the OASI and DI Trust Funds and the Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. government-wide financial statements.

The Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. Accounts Receivable, Net

Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $280 and $391 million as of September 30, 2015 and 2014 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $2,630 and $2,777 million as of September 30, 2015 and 2014 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents Federal and State activity. The SSI Federal and State portions consists of overpayments from SSI recipients who are no longer eligible to receive benefit payments or received benefits in excess of their eligibility. Additionally, the SSI State portion consists of amounts due from the States to cover underpayments due to the SSI recipients. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments and underpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30:
($ in millions)

	2015			2014		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,602	$ (264)	$ 2,338	$ 2,423	$ (274)	$ 2,149
DI	6,478	(2,115)	4,363	6,296	(2,144)	4,152
SSI*	10,279	(2,315)	7,964	9,530	(2,243)	7,287
LAE	2	0	2	3	0	3
Subtotal	19,361	(4,694)	14,667	18,252	(4,661)	13,591
Less:						
Eliminations**	(497)	0	(497)	(405)	0	(405)
Total	$ 18,864	$ (4,694)	$ 14,170	$ 17,847	$ (4,661)	$ 13,186

Notes:

*See Discussion in Note 3, Non-Entity Assets

**Intra-Agency Eliminations

Chart 6 shows that in FY 2015 and 2014, SSA reduced gross accounts receivable by $497 and $405 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Windfall Offset is the amount of SSI that would not have been paid if retroactive OASI and DI benefits had been paid timely to eligible beneficiaries. The KZ Diary process identifies SSI recipients eligible for prior entitlement of OASI and DI benefits, and determines SSA's liability for retroactive benefits owed to beneficiaries. For each activity, SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs.

SSA annually recalculates a ratio of the estimated allowance for doubtful accounts using a moving five-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. SSA then applies this ratio to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. Property, Plant, and Equipment, Net

Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets, is reflected by major class in Chart 7.

Chart 7 - Property, Plant and Equipment as of September 30:
($ in millions)

	2015			2014		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings and Other Structures	$ 59	$ (20)	$ 39	$ 59	$ (19)	$ 40
Equipment (incl. ADP Hardware)	664	(330)	334	541	(239)	302
Internal Use Software	8,407	(5,054)	3,353	6,649	(3,835)	2,814
Leasehold Improvements	739	(408)	331	653	(360)	293
Other	838	(750)	88	710	(683)	27
Total	$ 10,707	$ (6,562)	$ 4,145	$ 8,612	$ (5,136)	$ 3,476

Major Classes:	Estimated Useful Life	Method of Depreciation
Buildings and Other Structures	50 years	Straight Line
Equipment (incl. ADP Hardware)	7-10 years	Composite
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6-33 years	Straight Line
Other	3 years	Straight Line

Other Property, Plant, and Equipment represent deferred charges for fixtures and bulk computer purchases.

SSA's Internal Use Software increased from September 2014 to September 2015, in part due to SSA recording previously uncaptured contractor-developed and SSA staff developed internal use software. As a result of this activity, SSA's Internal Use Software's Cost, Accumulated Depreciation, and Net Book Value were increased by $943, $630, and $313 million, respectively, as of September 30, 2015.

8. Other Assets

Intragovernmental Other Assets

Intragovernmental Other Assets amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Other Assets are $18 and $19 million as of September 30, 2015 and 2014.

Other Assets

Other Assets is comprised of advances provided to agency employees for travel and payroll, as well as advances provided to grantee organizations performing work on behalf of the agency. Other Assets are $4 million as of September 30, 2015 and 2014.

9. Liabilities

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when incurred. Chart 9a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources. Liabilities Covered by budgetary resources use available budget authority when SSA incurs the liabilities. Liabilities Not Covered by budgetary resources do not use available budget authority in the current period. For SSA, these liabilities represent two main activities: (1) liabilities that will be funded in future periods;

and (2) liabilities representing cash or SSA receivables due to the General Fund, which do not require budgetary authority.

Chart 9a - Liabilities as of September 30:
($ in millions)

	2015			2014		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI*	$ 4,483	$ 0	$ 4,483	$ 4,490	$ 0	$ 4,490
Accounts Payable	13	7,526	7,539	31	6,840	6,871
Other	88	59	147	85	60	145
Total Intragovernmental	4,584	7,585	12,169	4,606	6,900	11,506
Benefits Due and Payable	94,721	3,833	98,554	90,059	3,844	93,903
Accounts Payable	22	439	461	34	447	481
Federal Employee and Veteran Benefits	0	329	329	0	348	348
Other	529	355	884	521	353	874
Total	$ 99,856	$ 12,541	$ 112,397	$ 95,220	$ 11,892	$ 107,112

Note:
*Railroad Retirement Interchange

Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental Accrued Railroad Retirement Interchange represents an accrued liability due to the Railroad Retirement Board for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if SSA had covered railroad employment. The *Railroad Retirement Act of 1974* requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to Treasury’s General Fund. SSA records a payable equal to the SSI Federal benefit overpayments receivable when the agency identifies overpayments. Refer to Note 3, Non-Entity Assets, for additional information on the SSI receivables established for the repayment of SSI benefit overpayments.

Intragovernmental Other Liabilities

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts Not Covered by budgetary resources for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA’s accrued liability due to the Department of Labor’s FECA Special Benefits Fund for payments made on SSA’s behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $57 million as of September 30, 2015 and 2014.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 9b shows the amounts for SSA's major programs as of September 30, 2015 and 2014. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, budgetary resources cover the unadjudicated cases.

Chart 9b - Benefits Due and Payable as of September 30:
($ in millions)

	2015	2014
OASI	$ 66,222	$ 62,993
DI	27,487	26,021
SSI	5,342	5,294
Subtotal	99,051	94,308
Less: Intra-agency eliminations	(497)	(405)
Total	$ 98,554	$ 93,903

Chart 9b also shows that as of FY 2015 and 2014, SSA reduced gross Benefits Due and Payable by $497 and $405 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Refer to Note 6, Accounts Receivable, Net.

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI State Supplemental overpayments due to States. States are entitled to any overpayment that SSA expects to collect because the States fund the actual payments made to the beneficiaries. These amounts are set up as an accounts payable until payment is made.

Federal Employee and Veteran Benefits

Federal Employee and Veteran Benefits Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $329 and $348 million as of September 30, 2015 and 2014 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll and SSI State Supplemental amounts collected in advance. Other Liabilities Not Covered by budgetary resources consists of leave earned but not taken and unapplied deposit funds.

Leases

SSA has Occupancy Agreements (OA) with GSA for each space that we occupy. The OA is a complete, concise statement of the business terms governing the tenancy relationship between SSA and GSA. The OA is not a lease, but rather a formal agreement between the signing parties. For accounting purposes, these OAs are treated as lease activity. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of the OAs vary according to whether the Federal Government directly owns the underlying assets or if GSA rents the underlying asset from third party commercial property owners, though each OA may have slightly different terms. SSA executes cancellable and non-cancellable OAs with GSA. Periods of occupancy on OAs vary, and can generally be cancelled with four months' notice following the first year of occupancy. OAs must be coterminous with the underlying lease term. For non-cancellable OAs, SSA is financially responsible for rental payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or the occupancy by a replacement tenant covers the total rent obligation. OAs do not include renewal options that may be in the lease, as GSA makes a determination as to whether such options are fair and reasonable relative to the market when the option matures. Chart 9c shows the future estimated rental payments required under OAs that have initial or remaining non-cancellable terms in excess of one year. SSA does not include the amounts reported in our financial statements. SSA expenses OAs as incurred, and does not record liabilities for future years' costs.

Chart 9c – Future Operating Lease/Occupancy Agreement Commitments as of September 30:
($ in millions)

Fiscal Year		GSA OAs
2016	$	96
2017		91
2018		87
2019		84
2020		75
2021 and Thereafter (In total)*		585
Total Future Lease Payments		1,018

Note:

*OAs go through the year 2034.

Contingent Liabilities

Putative class action lawsuits challenging the agency's collection of debt using the Treasury Offset Program were filed in Federal district court in Maryland and in the District of Columbia in April 2014 and February 2015, respectively. We cannot estimate the possible dollar amount at this time.

10. Funds from Dedicated Collections

The OASI and DI Trust Funds, Taxation on Social Security benefits, and SSI State Administrative Fees are classified as funds from dedicated collections. These funds obtain revenues primarily through non-Federal receipts, such as Social Security payroll taxes and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families, and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

Payroll and self-employment taxes primarily fund the OASI and DI Trust Funds. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide additional income to the OASI and DI Trust Funds. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 14, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds, and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

Taxation on Social Security Benefits

Taxation on Social Security Benefits is also classified as funds from dedicated collections. The *Social Security Amendments of 1983* (Public Law 98-21) provides that the OASI and DI Trust Funds receive income related to Federal income taxation of benefits. The taxes are collected as Federal income taxes, and a subsequent payment is then made to the OASI and DI Trust Funds from the General Fund of the Treasury. These collections are warranted from the General Fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, Taxation on Social Security Benefits is considered dedicated collections.

SSI State Administrative Fees

Administrative Fees collected from States are also classified as funds from dedicated collections. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each State an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the State for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 12, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 10 for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2015 and 2014. The Other Dedicated Funds column in Chart 10 consists of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule
($ in millions)

	2015				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (95)	$ 18	$ 3	$ 0	$ (74)
Investments	2,766,649	41,638	0	0	2,808,287
Interest Receivable	22,244	444	0	0	22,688
Accounts Receivables - Federal	1	1	0	0	2
Accounts Receivables - Non-Federal	2,338	4,363	0	(5)	6,696
Total Assets	$ 2,791,137	$ 46,464	$ 3	$ (5)	$ 2,837,599
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 4,173	$ 310	$ 0	$ 0	$ 4,483
Accounts Payable, Federal	319	694	0	0	1,013
Benefits Due and Payable	66,222	27,487	0	(5)	93,704
Accounts Payable, Non-Federal	0	9	0	0	9
Total Liabilities	70,714	28,500	0	(5)	99,209
Cumulative Results of Operations	2,720,423	17,964	3	0	2,738,390
Total Liabilities and Net Position	$ 2,791,137	$ 46,464	$ 3	$ (5)	$ 2,837,599
Statement of Net Cost					
Program Costs	$ 736,752	$ 144,102	$ 0	$ 0	$ 880,854
Operating Expenses	503	248	0	0	751
Less Earned Revenue	(1)	(26)	(123)	0	(150)
Net Cost of Operations	$ 737,254	$ 144,324	$ (123)	$ 0	$ 881,455
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,670,570	$ 47,656	$ 4	$ 0	$ 2,718,230
Tax Revenue	672,246	114,156	0	0	786,402
Interest Revenue	92,200	2,401	0	0	94,601
Net Transfers In/Out	22,651	(1,970)	(30,787)	0	(10,106)
Other	10	45	30,663	0	30,718
Total Financing Sources	787,107	114,632	(124)	0	901,615
Net Cost of Operations	737,254	144,324	(123)	0	881,455
Net Change	49,853	(29,692)	(1)	0	20,160
Net Position End of Period	$ 2,720,423	$ 17,964	$ 3	$ 0	$ 2,738,390

The above Chart 10 for FY 2015 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $1,500 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2015 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule
($ in millions)

	2014				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (106)	$ (187)	$ 4	$ 0	$ (289)
Investments	2,712,805	70,113	0	0	2,782,918
Interest Receivable	23,278	774	0	0	24,052
Accounts Receivables - Non-Federal	2,149	4,152	0	(5)	6,296
Total Assets	$ 2,738,126	$ 74,852	$ 4	$ (5)	$ 2,812,977
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 4,103	$ 387	$ 0	$ 0	$ 4,490
Accounts Payable, Federal	460	778	0	0	1,238
Benefits Due and Payable	62,993	26,021	0	(5)	89,009
Accounts Payable, Non-Federal	0	10	0	0	10
Total Liabilities	67,556	27,196	0	(5)	94,747
Cumulative Results of Operations	2,670,570	47,656	4	0	2,718,230
Total Liabilities and Net Position	$ 2,738,126	$ 74,852	$ 4	$ (5)	$ 2,812,977
Statement of Net Cost					
Program Costs	$ 701,037	$ 142,594	$ 0	$ 0	$ 843,631
Operating Expenses	544	235	0	0	779
Less Earned Revenue	(1)	(26)	(170)	0	(197)
Net Cost of Operations	$ 701,580	$ 142,803	$ (170)	$ 0	$ 844,213
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,616,278	$ 79,549	$ 5	$ 0	$ 2,695,832
Tax Revenue	642,276	109,063	0	0	751,339
Interest Revenue	95,568	3,679	0	0	99,247
Net Transfers In/Out	17,990	(1,890)	(25,835)	0	(9,735)
Other	38	58	25,664	0	25,760
Total Financing Sources	755,872	110,910	(171)	0	866,611
Net Cost of Operations	701,580	142,803	(170)	0	844,213
Net Change	54,292	(31,893)	(1)	0	22,398
Net Position End of Period	$ 2,670,570	$ 47,656	$ 4	$ 0	$ 2,718,230

Chart 10 for FY 2014 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $1,628 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2014 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

11. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 11a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other primarily represent the HI/SMI Trust Funds' shares of SSA's operating expenses, including the Medicare Prescription Drug Program. LAE ARRA operating expenses recorded in the Other program primarily represent expenses associated with the construction and setup of the new National Support Center. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 11a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

	2015					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 2,959	$ 38	$ 0	$ 500	$ 3	$ 3,500
DI	2,760	36	0	87	161	3,044
SSI	4,162	0	0	0	174	4,336
Other	1,989	29	59	0	0	2,077
	$ 11,870	$ 103	$ 59	$ 587	$ 338	$ 12,957

Chart 11a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

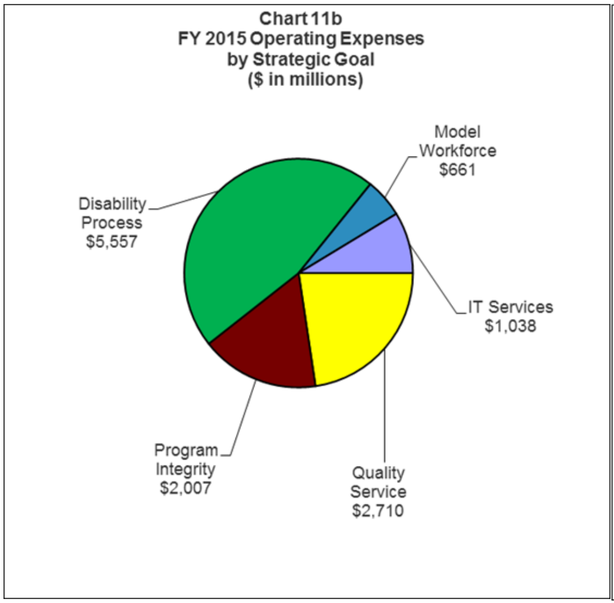
	2014					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 2,941	$ 36	$ 0	$ 542	$ 2	$ 3,521
DI	2,754	34	0	103	132	3,023
SSI	4,052	0	0	0	140	4,192
Other	1,936	27	29	0	0	1,992
	$ 11,683	$ 97	$ 29	$ 645	$ 274	$ 12,728

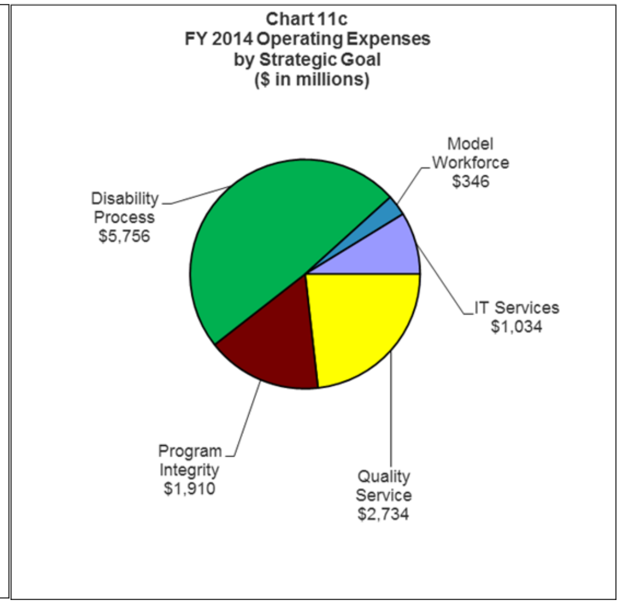
Classification of Operating Expenses by Strategic Goal

SSA's *Annual Performance Plan* (APP) sets forth expected levels of performance the agency is committed to achieving, and includes proposed levels of performance for future fiscal years. Our APP is characterized by broad-based Strategic Goals that the entire agency supports. The five goals are:

- Deliver Innovative, Quality Services (Quality Service);
- Strengthen the Integrity of Our Programs (Program Integrity);
- Serve the Public Through a Stronger, More Responsive Disability Program (Disability Process);
- Build a Model Workforce to Deliver Quality Service (Model Workforce); and
- Ensure Reliable, Secure, and Efficient Information Technology Services (IT Services).

Charts 11b and 11c exhibit the distribution of FY 2015 and FY 2014 SSA and OIG LAE operating expenses to the five APP Strategic Goals, which agree to the agency's LAE budget appropriation.





For Charts 11b and 11c, we subtracted LAE ARRA expenses from total SSA LAE operating expenses before distributing the operating expenses to the agency's APP Strategic Goals. SSA does not include OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 11a) in LAE by Strategic Goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.

12. Exchange Revenues

SSA recognizes revenue from exchange transactions when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are $306 and $389 million for the years ended September 30, 2015 and 2014. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the State are $11.55 and $11.32, per payment, for the years ended September 30, 2015 and 2014. SSA has agreements with 21 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional fees are collected for handling OASI and DI Trust Fund and SSI attorney fees. Other exchange revenue consists of reimbursement for performing non-mission work for Federal and non-Federal entities. Chart 12 discloses SSA's exchange revenue by activity.

Chart 12 - Exchange Revenue as of September 30:
($ in millions)

	2015		2014	
SSI State Supplementation Fees	$	216	$	306
SSI Attorney Fees		8		8
DI Attorney Fees		26		26
OASI Attorney Fees		1		1
Other Exchange Revenue		55		48
Total	$	306	$	389

SSI administrative fees are split between fees that SSA can use and fees that are entitled to Treasury's General Fund. The General Fund's portion of these administrative fees is $102 and $143 million for the years ended September 30, 2015 and 2014. Of these amounts, $94 and $135 million was collected to administer SSI State Supplementation for the years ended September 30, 2015 and 2014. The remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amount of $122 and $171 million for the years ended September 30, 2015 and 2014, are maintained by SSA to defray expenses in carrying out the SSI program.

13. Costs and Exchange Revenue Classifications

Chart 13 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks; employee benefits; and imputed financing costs. Refer to Note 15, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments; SSI payments; payroll; and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided, which includes reimbursements from the Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided, which includes fees for administering the States' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering: (1) a portion of the Medicare program; (2) the Medicare Savings Program and the Low Income Subsidy Program; and (3) ARRA activities.

Chart 13 - Costs and Exchange Revenue Classifications as of September 30:
($ in millions)

	2015			2014		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,365	$ (9)	$ 1,356	$ 1,422	$ (9)	$ 1,413
Public	738,887	(6)	738,881	703,136	(4)	703,132
OASI Subtotal	740,252	(15)	740,237	704,558	(13)	704,545
DI Program						
Intragovernmental	894	(8)	886	928	(7)	921
Public	146,252	(31)	146,221	144,689	(30)	144,659
DI Subtotal	147,146	(39)	147,107	145,617	(37)	145,580
SSI Program						
Intragovernmental	1,249	(12)	1,237	1,233	(12)	1,221
Public	54,607	(231)	54,376	53,803	(319)	53,484
SSI Subtotal	55,856	(243)	55,613	55,036	(331)	54,705
Other Program						
Intragovernmental	584	(6)	578	581	(6)	575
Public	1,496	(3)	1,493	1,415	(2)	1,413
Other Subtotal	2,080	(9)	2,071	1,996	(8)	1,988
Total	$ 945,334	$ (306)	$ 945,028	$ 907,207	$ (389)	$ 906,818

14. Tax Revenues

Treasury estimates monthly employment tax revenues based on SSA's quarterly estimate of taxable earnings. Treasury uses these estimates to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $786,402 and $751,339 million for the years ended September 30, 2015 and 2014.

15. Imputed Financing

SSA is required to incorporate the full cost of goods and services that it receives from other entities on its Consolidated Statements of Net Cost. In some instances, goods or services provided by one Federal entity to another may not be fully reimbursed by the receiving entity. The unreimbursed portion of these costs is considered an imputed cost, and must be recognized on the receiving entity’s Statement of Net Cost. The funding for these imputed costs is recognized as an imputed financing source on the receiving entity’s Statement of Changes in Net

Position. SSA has activities with both OPM and Treasury that require imputed costs and financing sources to be recognized. While the imputed financing sources are shown on the face of the Consolidated Statements of Changes in Net Position, the imputed costs are included in the operating expense amounts reported on the Consolidated Statements of Net Cost.

OPM administers three earned benefit programs for civilian Federal employees: (1) the Retirement Program, comprised of the CSRS and the FERS; (2) the Federal Employees Health Benefits Program (FEHBP); and (3) the Federal Employee Group Life Insurance Program (FEGLI). The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,089 and $1,059 million for the years ended September 30, 2015 and 2014, as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. SSA is responsible for a portion of the contributions made to each benefit program during the fiscal year, while the remaining costs are covered by OPM. SSA recognizes these costs on its financial statements as an imputed cost, with a corresponding imputed financing source.

Treasury, on SSA's behalf, processes the payments for SSI benefits. While the majority of the administrative costs associated with processing these payments are recorded as imputed costs with an associated imputed financing source, SSA is responsible for the costs related to postage. In addition, when funds are not legally available to pay monetary awards from SSA's own appropriations, Treasury issues payments from the Judgment Fund on behalf of SSA for court judgments and Department of Justice (DOJ) compromise settlements of actual or imminent lawsuits against SSA. These costs are also recorded as imputed costs with a corresponding imputed financing source.

Chart 15 discloses SSA's imputed financing sources by activity.

Chart 15 - Imputed Financing Sources as of September 30:
($ in millions)

	2015	2014
Employee Benefits (OPM)		
CSRS	$ 125	$ 141
FERS	25	87
FEHBP	358	323
FEGLI	1	1
Total Employee Benefits	509	552
SSI Benefit Payments (Treasury)	14	16
Judgment Fund (Treasury)	1	1
Total	$ 524	$ 569

16. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $984,099 and $940,921 million for the years ended September 30, 2015 and 2014. Appropriations Received on the Consolidated Statements of Changes in Net Position are $91,905 and $86,402 million for the same periods. The differences of $892,194 and $854,519 million primarily represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the General Fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Fiscal Service where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Because OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's Circular No. A-136 to have the Combined Statements of

Budgetary Resources in agreement with the required SF-133. These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

Agency accounts or funds can receive budgetary resources from OMB through an apportionment or they can receive funds based on statutes, laws, legislation, etc. Apportionments issued for specific activities, projects, objects, or a combination of these categories are classified as Category B. If an account or fund receives its budgetary resources based on law or statute and does not receive an apportionment from OMB, it is classified as Exempt from Apportionment. Chart 16a reflects the amounts of direct and reimbursable obligations incurred against Categories B Apportionment and Exempt from Apportionment accounts.

Chart 16a - Apportionment Categories of Obligations Incurred as of September 30:

($ in millions)

	2015			2014		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 71,973	$ 2,703	$ 74,676	$ 70,895	$ 3,339	$ 74,234
Exempt	923,409	1	923,410	880,509	1	880,510
Total	$ 995,382	$ 2,704	$ 998,086	$ 951,404	$ 3,340	$ 954,744

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of Public Law 106-169, the veterans' SSI benefits would terminate the month after leaving the United States. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

During the year, the OASI and DI Trust Funds collect receipts and incur obligations. The receipts are primarily made up of tax and interest revenues. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated against the OASI and DI Trust Funds. During a given year, when receipts collected exceed the amount needed to pay benefits and other valid obligations, the excess authority becomes precluded by law from being available for obligations, as of September 30. While this amount is precluded from obligation at the end of one fiscal year, the excess receipts remain assets of the OASI and DI Trust Funds and can become available in future periods as needed.

Chart 16b provides an overview of fiscal year budgetary receipt and obligation information for the OASI and DI Trust Funds. SSA compares the current year receipts to the current year obligations incurred to determine the excess or shortfall for a fiscal year. As seen in Chart 16b, the DI Trust Fund's obligations exceed current year receipts, which resulted in the DI Trust Fund dipping into its authority reserves, which were previously precluded from obligation.

Chart 16b - OASI and DI Trust Fund Activities as of September 30:
($ in millions)

	2015			2014		
	OASI	DI	Total	OASI	DI	Total
Receipts	$ 795,334	$ 118,039	$ 913,373	$ 763,339	$ 114,193	$ 877,532
Less: Obligations	744,798	147,722	892,520	708,500	146,165	854,665
Excess of Receipts Over Obligations	$ 50,536	$ (29,683)	$ 20,853	$ 54,839	$ (31,972)	$ 22,867

The negative Excess of Receipts Over Obligations for DI presented in Chart 16b reflects the shrinking of the DI Trust Fund authority reserves. While the DI Trust Fund obligations exceed receipts, the overall Net Position of the DI Trust Fund, on the Consolidated Statements of Changes in Net Position, is $17,964 and $47,656 million for the years ended September 30, 2015 and 2014.

Undelivered Orders at the End of the Period

Undelivered orders consist of orders of goods and services that SSA has not actually or constructively received. SSA's total undelivered orders are $2,129 and $2,173 million for the years ended September 30, 2015 and 2014. The total undelivered orders contain unpaid and paid undelivered orders, with unpaid orders making up the majority of the total. SSA’s total unpaid undelivered orders are $2,106 and $2,150 million for the years ended September 30, 2015 and 2014.

Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government

SSA conducted a reconciliation of budgetary resources, obligations incurred, distributed offsetting receipts, and net outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2014. All differences shown in the chart below are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government, and distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 16c presents a reconciliation of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2014.

Chart 16c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the U.S. Government for FY 2014:
($ in millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 957,484	$ 954,744	$ 28,754	$ 905,772
Expired activity not in President's Budget	(342)	(73)	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	28,754
Other	0	(1)	1	0
Budget of the U.S. Government	$ 957,142	$ 954,670	$ 28,755	$ 934,526

A reconciliation has not been conducted for the year ended September 30, 2015 since this report is published in November 2015 and the actual budget data for FY 2015 will not be available until the President’s Budget is published.

17. Reconciliation of Net Cost of Operations to Budget

Chart 17 - Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2015 and 2014
($ in millions)

	2015	2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 998,086	$ 954,744
Offsetting Collections and Recoveries	(15,480)	(15,443)
Obligations Net of Offsetting Collections and Recoveries	982,606	939,301
Offsetting Receipts	(33,694)	(28,754)
Net Obligations	948,912	910,547
Other Resources		
Imputed Financing	524	569
Other	(224)	(314)
Net Other Resources Used to Finance Activities	300	255
Total Resources Used to Finance Activities	949,212	910,802
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	48	(174)
Resources that Fund Expenses Recognized in Prior Periods	(30)	(27)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	33,690	28,765
Resources that Finance the Acquisition of Assets	(2,095)	(993)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(36,142)	(31,366)
Total Resources Not Part of the Net Cost of Operations	(4,529)	(3,795)
Total Resources Used to Finance the Net Cost of Operations	944,683	907,007
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	2	0
Other	0	142
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	2	142
Components Not Requiring or Generating Resources		
Depreciation and Amortization	1,426	689
Other	(1,083)	(1,020)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	343	(331)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	345	(189)
Net Cost of Operations	$ 945,028	$ 906,818

Chart 17 presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one Statement, but not the other.

18. Social Insurance Disclosures

Statement of Social Insurance

The Statement of Social Insurance presents the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed group" of participants. The open group of participants includes 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 social insurance program. The closed group of participants includes only current participants (i.e., those who attain age 15 or older in the first year of the projection period). The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in the *2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (the Trustees Report) for the 75-year projection period beginning January 1, 2015. These assumptions represent the Trustees' reasonable estimate of likely future economic and demographic conditions. Similar present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting present values at January 1 of the applicable year.

Estimated future noninterest income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on asset reserves held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

The present value of the estimated future excess of noninterest income over cost is shown in the Statement of Social Insurance, not only for the open group of participants, but also for the "closed group" of participants. The closed group of participants consists of those who, in the starting year of the projection period, have attained age 15 or older. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. The Statement of Social Insurance also presents the present value of estimated future noninterest income less estimated future cost *plus* the combined OASI and DI Trust Fund asset reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund asset reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund asset reserves, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund asset reserves as of January 1, 2015 totaled $2,789 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

The present value for a 75-year projection period of estimated future excess of noninterest income over cost, plus the combined OASI and DI Trust Fund asset reserves at the start of the period, is shown as a negative value. Its magnitude is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product (GDP) over the period.

Because the OASDI program lacks borrowing authority, the open group unfunded obligation represents the amount of benefits scheduled in the law that would not be payable in the years after the asset reserves in the combined OASI and DI Trust Fund become depleted. Thus, if the asset reserves in the combined OASI and DI Trust Fund become depleted, the amount of money available to pay benefits and other expenses would be limited to continuing noninterest income. Therefore, barring legislative action, this unfunded obligation represents a financial shortfall that would be accommodated by either paying benefits that are less than the amount scheduled or by delaying the payment of scheduled benefits.

Assumptions Used for the Statement of Social Insurance

The present values used in this presentation for the current year (2015) are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund asset reserves are depleted. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2015

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2015	1.91	771.3	76.9	81.5	1,465,000	3.18	3.38	0.20	1.3	3.3	2.2%
2020	2.04	730.1	77.7	82.1	1,395,000	1.73	4.43	2.70	1.0	2.7	5.3%
2030	2.00	667.6	78.9	83.1	1,190,000	1.23	3.93	2.70	0.5	2.1	5.6%
2040	2.00	615.0	80.0	84.0	1,135,000	1.20	3.90	2.70	0.6	2.2	5.6%
2050	2.00	568.9	81.0	84.8	1,110,000	1.21	3.91	2.70	0.5	2.1	5.6%
2060	2.00	528.2	81.9	85.5	1,095,000	1.16	3.86	2.70	0.4	2.0	5.6%
2070	2.00	492.2	82.8	86.2	1,085,000	1.11	3.81	2.70	0.4	2.1	5.6%
2080	2.00	460.1	83.6	86.9	1,085,000	1.13	3.83	2.70	0.4	2.1	5.6%
2090	2.00	431.4	84.3	87.5	1,080,000	1.15	3.85	2.70	0.4	2.0	5.6%

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy at a given age for a given year is the average remaining number of years expected prior to death for a person at that exact age, born on January 1, using the mortality rates for that year over the course of his or her remaining life. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Values are rounded after all computations.
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is CPI-W.
8. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real GDP is the value of the total output of goods and services in 2009 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which compound semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The present values used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on our *Agency Financial Report* website (www.socialsecurity.gov/finance) for the prior four years.

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex-Adjusted Death Rates[2]	Average Annual Net Immigration (persons per year)[3]	Average Annual Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2015	2.0	0.78	1,155,000	1.17	3.87	2.70	0.5	2.9
FY 2014	2.0	0.79	1,125,000	1.13	3.83	2.70	0.5	2.9
FY 2013	2.0	0.80	1,095,000	1.12	3.92	2.80	0.6	2.9
FY 2012	2.0	0.77	1,080,000	1.12	3.92	2.80	0.6	2.9
FY 2011	2.0	0.78	1,075,000	1.2	4.0	2.8	0.5	2.9

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 13th year of the projection period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of a standard date if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. For the FY 2014 and FY 2015 Statements, the standard date was April 1, 2010. For the 2011-2013 Statements, the standard date was April 1, 2000. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2015 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value shown is the average net immigration level projected for the 75-year projection period. For the 2015 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The value presented is the average of annual real-wage differentials for the last 65 years of the 75-year projection period. For the 2012 Statement, the average real-wage differential decreased from 1.17 to 1.12 percentage points and is displayed to two decimal places. For the 2015 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2012 Statement, the average annual percentage change decreased from 3.97 to 3.92 percentage points and is displayed to two decimal places. For the 2015 Statement, the average annual percentage change increased from 3.83 to 3.87 percentage points and is consistent with the annual percentages shown in Table 1.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period. For the 2015 Statement, the average annual rate of CPI is consistent with the annual differentials shown in Table 1.
7. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2015 Statement, the average annual rate of change is consistent with the annual percentages shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached soon after the 10th year of the projection period. For the 2015 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2011-2015 Trustees Reports. Estimates made prior to this year differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on social insurance is contained in the *Required Supplementary Information: Social Insurance* section of this report.

Statement of Changes in Social Insurance Amounts

The Statement of Changes in Social Insurance Amounts reconciles changes, from the beginning of one 75-year valuation period to the next, in the: (1) 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; (2) starting asset reserves of the combined OASI and DI Trust Funds; and (3) present value of estimated future noninterest income less estimated future cost for current and future participants over the next 75 years plus the asset reserves of the combined OASI and DI Trust Funds. These values are included in the Statement of Social Insurance. The Statement of Changes in Social Insurance Amounts shows two reconciliations: (1) changing from the period beginning on January 1, 2014 to the period beginning on January 1, 2015; and (2) changing from the period beginning on January 1, 2013 to the period beginning on January 1, 2014. The reconciliation identifies several changes that are significant and provides reasons for the changes.

The five changes considered in the Statement of Changes in Social Insurance Amounts are, in order:

- change in the valuation period;
- changes in demographic data, assumptions, and methods;
- changes in economic data, assumptions, and methods;
- changes in programmatic data and methods; and
- changes in law or policy.

All estimates in the Statement of Changes in Social Insurance Amounts represent values that are incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods represent the additional effect of these new data, assumptions, and methods after considering the effects from demography and the change in the valuation period. In general, an increase in the present value of net cashflows represents a positive change (improving financing), while a decrease in the present value of net cashflows represents a negative change (worsening financing).

Change in the Valuation Period

From the period beginning on January 1, 2014 to the period beginning on January 1, 2015

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2014-2088) to the current valuation period (2015-2089) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cashflow for 2014, replaces it with a much larger negative net cashflow for 2089, and measures the present values as of January 1, 2015, one year later. Thus, the present value of estimated future net cashflows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2014-2088 to 2015-2089. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2014 are realized. The change in valuation period increased the starting level of asset reserves in the combined OASI and DI Trust Funds.

From the period beginning on January 1, 2013 to the period beginning on January 1, 2014

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2013-2087) to the current valuation period (2014-2088) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cashflow for 2013 and replaces it with a much larger negative net cashflow for 2088, and measures the present values as of January 1, 2014, one year later. Thus, the present value of estimated future net cashflows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2013-2087 to 2014-2088. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2013 are realized. The change in valuation period increased the level of asset reserves in the combined OASI and DI Trust Funds.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2014 to the period beginning on January 1, 2015

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2015), with the exception of changes made due to the executive actions on immigration, are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2012 and preliminary data for 2013 indicated lower birth rates than were expected in the prior valuation. In this year's report, the total fertility rate reaches the ultimate in 2027, which is 11 years earlier than in last year's report.
- Incorporating mortality data obtained from Medicare experience at ages 65 and older for 2012 resulted in slightly higher death rates for 2012 and a slightly slower rate of decline in mortality over the next 25 years than were projected in last year's report. Incorporating mortality data obtained from the National Centers for Health Statistics at ages under 65 for 2011 resulted in slightly lower death rates for 2011 and a slightly faster rate of decline in mortality over the next 25 years than were projected in last year's report.
- Historical legal immigration was revised to include single age data (rather than 5-year age groups); including more recent marriage, legal immigration, and other-than-legal immigration data; historical data since 2001 was revised to be more consistent with the most recent estimates from the Census Bureau.

Inclusion of the new birth rate data and immigration data decreased the present value of estimated future net cashflows, while the inclusion of the remaining data increased the present value of estimated future net cashflows.

From the period beginning on January 1, 2013 to the period beginning on January 1, 2014

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2014) are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Preliminary birth rate data for 2012 indicated lower birth rates than were expected in the prior valuation. During the period of transition to their ultimate values, the birth rates in the current valuation are generally lower than they were in the prior valuation.
- New detailed historical divorce data along with revisions in the assumed path of the age-sex-adjusted divorce rate in the period of transition to the ultimate were used in the current valuation.
- New historical data since 2001 along with smoothing to the historical distribution of the married population by age of husband and wife was used in the current valuation period.

Inclusion of the new birth rate data decreased the present value of estimated future net cashflows, while the inclusion of the remaining data increased the present value of estimated future net cashflows.

There was one change in demographic methodology:

- The modeling of the other immigrant population was divided into three distinct groups for the current valuation: (1) those with temporary legal status; (2) those never authorized to be in the country; and (3) those who had temporary legal status previously but are no longer authorized to be in the country.

Inclusion of this new method increased the present value of estimated future net cashflows.

Changes in Economic Data, Assumptions, and Methods

From the period beginning on January 1, 2014 to the period beginning on January 1, 2015

For the current valuation (beginning on January 1, 2015), there was one change to the ultimate economic assumptions.

- 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 higher real-wage differential assumption is more consistent with recent experience and expectations of slower growth in employer sponsored group health insurance premiums from the Centers for Medicare and Medicaid Services. Because these premiums are not subject to the payroll tax, slower growth in these premiums means that a greater share of employee compensation will be in the form of wages that are subject to the payroll tax. This change to the real-wage assumption increased the present value of estimated future net cashflows.

Otherwise, the ultimate economic assumptions for the current valuation are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed.

- 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.
- The projected suspense file contains fewer wage items, which is consistent with having fewer workers (many of whom are undocumented immigrants) with wages on the suspense file and more of these workers with earnings in the underground economy, compared to the previous valuation.

The change to the ratio of average taxable earnings to the average wage index increased the present value of estimated future net cashflows while the change to the suspense file decreased the present value of estimated future net cashflows. Other, smaller changes in starting values and near term growth assumptions combined to increase the present value of estimated future net cashflows.

From the period beginning on January 1, 2013 to the period beginning on January 1, 2014

For the current valuation (beginning on January 1, 2014), there was one change to the ultimate economic assumptions.

- The ultimate annual rate of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) 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.

Lowering the ultimate average annual increase in the CPI-W makes it more comparable to recent historical annual increases. This change to the CPI-W assumption decreased the present value of estimated future net cashflows.

Otherwise, the ultimate economic assumptions for the current valuation are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed.

- The ratio of average taxable earnings to the average wage index is lower by 1.9 percent in 2012 and 1.5 percent in 2013, compared to the previous valuation period.

This change to the ratio of average taxable earnings to the average wage index decreased the present value of estimated future net cashflows.

There were two main changes in the economic methodology.

- 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.
- Different earnings levels are assigned to the three distinct groups of the other immigrant population supplied by demography. (This change decreased the present value of estimated future net cashflows by about the same amount as the related change in the demography methodology increased the present value of estimated future net cashflows.)

Inclusion of these changes in methodology decreased the present value of estimated future net cashflows.

Changes in Programmatic Data and Methods

From the period beginning on January 1, 2014 to the period beginning on January 1, 2015

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2015). The most significant are identified below.

- The earnings histories of worker beneficiaries were changed to be more consistent with: (1) the projected employment and earnings by single year of age and gender used in estimating payroll tax revenue; and (2) the projected distribution by single year of age and gender of newly entitled worker beneficiaries for each projection year.
- The projected relative earnings levels for those over age 65 were changed to those age 65 and younger. The projected insured rate for some immigrants was lowered. The affected group of immigrants includes those working in covered employment with a temporary visa that allows them to work and those working in covered employment without current legal work authorization.
- The ultimate projected ratio of income from taxation of benefits to total benefits was increased for this valuation period. There were also updates to programmatic data, changes in projections of beneficiaries and benefit levels over the first 10 years of the projection period, other small methodological improvements, and interactions.

All of these methodological improvements increased the present value of estimated future net cashflows.

From the period beginning on January 1, 2013 to the period beginning on January 1, 2014

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2014). The most significant are identified below.

- The ultimate projected ratio of income from taxation of benefits to total benefits was increased for this valuation period.
- There were also updates to programmatic data, method changes for projecting beneficiaries and benefit levels over the first 10 years of the projection period, other small methodological improvements, and interactions.

The change to taxation of benefits increased the present value of estimated future net cashflows, while updates of program-specific data decreased the present value of estimated future net cashflows. Taken together, these changes decreased the present value of estimated future net cashflows.

Changes in Law or Policy

From the period beginning on January 1, 2014 to the period beginning on January 1, 2015

In the current valuation period (beginning on January 1, 2015), no laws were enacted that are expected to have significant effects on the long-range cost of the OASDI program. However, on November 20, 2014, the President announced a series of executive actions on immigration, which are expected to have a significant effect on the long-range income and cost of the OASDI program. Due to a Federal court order, implementation of the actions affecting undocumented children and parents is on hold at the time of this report. However, the estimates in this report assume this court order will be temporary and that the executive actions will proceed by the end of 2015.

Inclusion of these executive actions increased the present value of estimated future net cashflows.

From the period beginning on January 1, 2013 to the period beginning on January 1, 2014

In the current valuation period (beginning on January 1, 2014), no laws were enacted that are expected to have significant effects on the long-range cost of the OASDI program. However, the Supreme Court's decision in the *United States v. Windsor* repealed parts of the *Defense of Marriage Act*, which affects the payment of Federal benefits based on same-sex marriages. The extent to which OASDI benefits based on marriage will be available to same-sex couples is still not completely clear. The agency has issued guidelines, approved by DOJ, for certain benefits for same-sex couples who were legally married when the insured accountholder resided in a State or jurisdiction that recognized same-sex marriages at the time of application or death. For estimates in this valuation, it is assumed that the agency will expand its guidelines to recognize all auxiliary beneficiaries for such marriages and that same-sex marriage will eventually be recognized in all States.

This expected expansion of benefits decreased the present value of estimated future net cashflows.

Assumptions Used for the Statement of Changes in Social Insurance Amounts

The present values included in the Statement of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Table 1 summarizes these assumptions for the current year. Our *Agency Financial Report* website (www.socialsecurity.gov/finance) provides tabulated assumptions for the prior year in a similar manner.

Period Beginning on January 1, 2014 and Ending January 1, 2015

Present values as of January 1, 2014 are calculated using interest rates from the intermediate assumptions of the 2014 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2015. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2014 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2015 Trustees Report.

Period Beginning on January 1, 2013 and Ending January 1, 2014

Present values as of January 1, 2013 are calculated using interest rates from the intermediate assumptions of the 2013 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2014. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2013 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2014 Trustees Report.

Potential Impact of H.R. 1314, the "Bipartisan Budget Act of 2015," on the Social Insurance Statements

The *Bipartisan Budget Act of 2015* was signed into law by the President on November 2, 2015. The *Act* includes several provisions that affect Social Security, including: (1) eliminating certain claiming strategies; (2) requiring a medical review for initial disability determinations; and (3) reallocating payroll tax revenue from the OASI Trust Fund to the DI Trust Fund. The SSA Office of the Chief Actuary has concluded that this law will impact the actuarial methods and assumptions included within the Statement of Social Insurance and the Statement of Changes in Social Insurance Amounts for future estimates for periods after January 1, 2015. However, we do not expect that the *Act* will have a material impact on future estimates on the Statement of Social Insurance and Statement of Changes in Social Insurance Amounts.

Other Information: Balance Sheet by Major Program as of September 30, 2015
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (95)	$ 18	$ 6,973	$ 203	$ (30)	$ 0	$ 7,069
Investments	2,766,649	41,638	0	0	0	0	2,808,287
Interest Receivable	22,244	444	0	0	0	0	22,688
Accounts Receivable, Net	1	1	0	0	2,908	(2,630)	280
Other	0	0	3	0	15	0	18
Total Intragovernmental	2,788,799	42,101	6,976	203	2,893	(2,630)	2,838,342
Accounts Receivable, Net	2,338	4,363	7,964	0	2	(497)	14,170
Property, Plant, and Equipment, Net	0	0	0	0	4,145	0	4,145
Other	0	0	0	0	4	0	4
Total Assets	$ 2,791,137	$ 46,464	$ 14,940	$ 203	$ 7,044	$ (3,127)	$ 2,856,661
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 4,173	$ 310	$ 0	$ 0	$ 0	$ 0	$ 4,483
Accounts Payable	319	694	9,041	109	6	(2,630)	7,539
Other	0	0	1	2	144	0	147
Total Intragovernmental	4,492	1,004	9,042	111	150	(2,630)	12,169
Benefits Due and Payable	66,222	27,487	5,342	0	0	(497)	98,554
Accounts Payable	0	9	439	0	13	0	461
Federal Employee and Veteran Benefits	0	0	0	0	329	0	329
Other	0	0	261	2	621	0	884
Total Liabilities	70,714	28,500	15,084	113	1,113	(3,127)	112,397
Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - All Other Funds	0	0	3,686	90	3	0	3,779
Cumulative Results of Operations - Funds from Dedicated Collections	2,720,423	17,964	3	0	0	0	2,738,390
Cumulative Results of Operations - All Other Funds	0	0	(3,833)	0	5,928	0	2,095
Total Net Position - Funds from Dedicated Collections	2,720,423	17,964	3	0	0	0	2,738,390
Total Net Position - All Other Funds	0	0	(147)	90	5,931	0	5,874
Total Net Position	2,720,423	17,964	(144)	90	5,931	0	2,744,264
Total Liabilities and Net Position	$ 2,791,137	$ 46,464	$ 14,940	$ 203	$ 7,044	$ (3,127)	$ 2,856,661

Other Information: Schedule of Net Cost for the Year Ended September 30, 2015
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 736,752	$ 0	$ 736,752
Operating Expenses	503	2,997	3,500
Total Cost of OASI Program	737,255	2,997	740,252
Less: Exchange Revenues	(1)	(14)	(15)
Net Cost of OASI Program	737,254	2,983	740,237
DI Program			
Benefit Payment Expense	144,102	0	144,102
Operating Expenses	248	2,796	3,044
Total Cost of DI Program	144,350	2,796	147,146
Less: Exchange Revenues	(26)	(13)	(39)
Net Cost of DI Program	144,324	2,783	147,107
SSI Program			
Benefit Payment Expense	51,520	0	51,520
Operating Expenses	174	4,162	4,336
Total Cost of SSI Program	51,694	4,162	55,856
Less: Exchange Revenues	(224)	(19)	(243)
Net Cost of SSI Program	51,470	4,143	55,613
Other			
Benefit Payment Expense	3	0	3
Operating Expenses	0	2,077	2,077
Total Cost of Other	3	2,077	2,080
Less: Exchange Revenues	0	(9)	(9)
Net Cost of Other Program	3	2,068	2,071
Total Net Cost			
Benefit Payment Expense	932,377	0	932,377
Operating Expenses	925	12,032	12,957
Total Cost	933,302	12,032	945,334
Less: Exchange Revenues	(251)	(55)	(306)
Total Net Cost	$ 933,051	$ 11,977	$ 945,028

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2015
(Dollars in Millions)

	OASI	DI	SSI		Other	
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	All Other Funds	Funds from Dedicated Collections	All Other Funds
Cumulative Results of Operations:						
Beginning Balances	$ 2,670,570	$ 47,656	$ 4	$ (3,844)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	59,102	30,663	261
Tax Revenues	672,246	114,156	0	0	0	0
Interest Revenues	92,200	2,401	0	0	0	0
Transfers In/Out Without Reimbursement	26,979	(1,629)	(124)	(4,260)	(30,663)	(258)
Railroad Retirement Interchange	(4,328)	(341)	0	0	0	0
Net Transfers In/Out	22,651	(1,970)	(124)	(4,260)	(30,663)	(258)
Other Budgetary Financing Sources	10	45	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out	0	0	0	(2,465)	0	2,465
Imputed Financing Sources	0	0	0	14	0	0
Other	0	0	0	(787)	0	(2,465)
Total Financing Sources	787,107	114,632	(124)	51,604	0	3
Net Cost of Operations	737,254	144,324	(123)	51,593	0	3
Net Change	49,853	(29,692)	(1)	11	0	0
Cumulative Results of Operations	$ 2,720,423	$ 17,964	$ 3	$ (3,833)	$ 0	$ 0
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 1,855	$ 0	$ 88
Budgetary Financing Sources						
Appropriations Received	0	0	0	60,933	30,663	280
Other Adjustments	0	0	0	0	0	(17)
Appropriations Used	0	0	0	(59,102)	(30,663)	(261)
Total Budgetary Financing Sources	0	0	0	1,831	0	2
Total Unexpended Appropriations	0	0	0	3,686	0	90
Net Position	$ 2,720,423	$ 17,964	$ 3	$ (147)	$ 0	$ 90

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2015 (Continued)

(Dollars in Millions)

	LAE	CONSOLIDATED		
	All Other Funds	Funds from Dedicated Collections	All Other Funds	CONSOLIDATED TOTAL
Cumulative Results of Operations:				
Beginning Balances	$ 5,494	$ 2,718,230	$ 1,650	$ 2,719,880
Budgetary Financing Sources				
Appropriations Used	29	30,663	59,392	90,055
Tax Revenues	0	786,402	0	786,402
Interest Revenues	0	94,601	0	94,601
Transfers In/Out Without Reimbursement	11,872	(5,437)	7,354	1,917
Railroad Retirement Interchange	0	(4,669)	0	(4,669)
Net Transfers In/Out	11,872	(10,106)	7,354	(2,752)
Other Budgetary Financing Sources	0	55	0	55
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	510	0	524	524
Other	0	0	(3,252)	(3,252)
Total Financing Sources	12,411	901,615	64,018	965,633
Net Cost of Operations	11,977	881,455	63,573	945,028
Net Change	434	20,160	445	20,605
Cumulative Results of Operations	$ 5,928	$ 2,738,390	$ 2,095	$ 2,740,485
Unexpended Appropriations:				
Beginning Balances	$ 3	$ 0	$ 1,946	$ 1,946
Budgetary Financing Sources				
Appropriations Received	29	30,663	61,242	91,905
Other Adjustments	0	0	(17)	(17)
Appropriations Used	(29)	(30,663)	(59,392)	(90,055)
Total Budgetary Financing Sources	0	0	1,833	1,833
Total Unexpended Appropriations	3	0	3,779	3,779
Net Position	$ 5,931	$ 2,738,390	$ 5,874	$ 2,744,264

Other Information: Combined Schedule of Spending for the Year Ended September 30, 2015
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Consolidated
What Money is Available to Spend?						
Total Resources	$ 744,798	$ 147,722	$ 66,024	$ 31,021	$ 12,890	$ 1,002,455
Less Amount Available but Not Agreed to be Spent	0	0	(3,524)	(42)	(238)	(3,804)
Less Amount Not Available to be Spent	0	0	(321)	(48)	(196)	(565)
Total Amounts Agreed to be Spent	$ 744,798	$ 147,722	$ 62,179	$ 30,931	$ 12,456	$ 998,086
How was the Money Spent/Issued?						
Financial Assistance Direct Payments	$ 737,144	$ 144,320	$ 57,250	$ 4	$ 40	$ 938,758
Payroll	0	0	0	0	6,700	6,700
Contracts						
Travel	0	0	0	0	18	18
Rent, Utilities, and Communications	0	0	1	0	1,149	1,150
Acquisition of Capital Assets	0	0	0	0	325	325
Other Contractual Services	506	246	(350)	0	4,115	4,517
Inter-Fund Transfers	3,025	2,823	5,084	30,927	0	41,859
Railroad Board Transfers	4,328	341	0	0	0	4,669
Other	(205)	(8)	194	0	109	90
Total Amounts Agreed to be Spent	$ 744,798	$ 147,722	$ 62,179	$ 30,931	$ 12,456	$ 998,086

Certain amounts reported in the schedule above can be tied to specific line items on the Statements of Budgetary Resources presented on page 53. The Total Resources, Amount Available but Not Agreed to be Spent, Amount Not Available to be Spent, and Amount Agreed to be Spent balances reported above tie to the Total Budgetary Resources, Unobligated Balance – Apportioned, Unobligated Balance – Unapportioned, and Total Obligations Incurred lines, respectively, on the Statements of Budgetary Resources. The detailed line items presented under the How was the Money Spent/Issued section are not reported on the Statements of Budgetary Resources; however, the total of these amounts ties to the Total Obligations Incurred line reported.

The detailed line items reported above will not tie to amounts reported in USASpending.Gov. USASpending.Gov is a website that provides information on how tax dollars are spent. The website focuses specifically on spending related to contracts, grants, loans, and other types of spending. Included in the other types of spending are Federal benefit payments. While some of these categories are broken out in the above Schedule of Spending, the two reports will not tie as amounts reported in the schedule above include transactions with both Federal and non-Federal entities.

Other Information: Combined Schedule of Spending for the Year Ended September 30, 2014
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Consolidated
What Money is Available to Spend?						
Total Resources	$ 708,500	$ 146,165	$ 64,342	$ 25,900	$ 12,577	$ 957,484
Less Amount Available but Not Agreed to be Spent	0	0	(2,010)	(42)	(414)	(2,466)
Less Amount Not Available to be Spent	0	0	(2)	(46)	(226)	(274)
Total Amounts Agreed to be Spent	$ 708,500	$ 146,165	$ 62,330	$ 25,812	$ 11,937	$ 954,744
How was the Money Spent/Issued?						
Financial Assistance Direct Payments	$ 701,411	$ 142,882	$ 57,176	$ 6	$ 47	$ 901,522
Payroll	0	0	0	0	6,375	6,375
Contracts						
Travel	0	0	0	0	33	33
Rent, Utilities, and Communications	0	0	1	0	1,151	1,152
Acquisition of Capital Assets	0	0	0	0	532	532
Other Contractual Services	8	134	95	0	3,734	3,971
Inter-Fund Transfers	2,487	2,928	5,092	25,807	0	36,314
Railroad Board Transfers	4,296	390	0	0	0	4,686
Other	298	(169)	(34)	(1)	65	159
Total Amounts Agreed to be Spent	$ 708,500	$ 146,165	$ 62,330	$ 25,812	$ 11,937	$ 954,744

Certain amounts reported in the schedule above can be tied to specific line items on the Statements of Budgetary Resources presented on page 53. The Total Resources, Amount Available but Not Agreed to be Spent, Amount Not Available to be Spent, and Amount Agreed to be Spent balances reported above tie to the Total Budgetary Resources, Unobligated Balance – Apportioned, Unobligated Balance – Unapportioned, and Total Obligations Incurred lines, respectively, on the Statements of Budgetary Resources. The detailed line items presented under the How was the Money Spent/Issued section are not reported on the Statements of Budgetary Resources; however, the total of these amounts ties to the Total Obligations Incurred line reported.

The detailed line items reported above will not tie to amounts reported in USASpending.Gov. USASpending.Gov is a website that provides information on how tax dollars are spent. The website focuses specifically on spending related to contracts, grants, loans, and other types of spending. Included in the other types of spending are Federal benefit payments. While some of these categories are broken out in the above Schedule of Spending, the two reports will not tie as amounts reported in the schedule above include transactions with both Federal and non-Federal entities.

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2015
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 2,012	$ 88	$ 640	$ 2,740
Recoveries of Prior Year Unpaid Obligations	160	114	320	6	249	849
Other Changes in Unobligated Balance	264	(111)	0	(17)	0	136
Unobligated Balance From Prior Year Budget Authority, Net	424	3	2,332	77	889	3,725
Appropriations (Discretionary and Mandatory)	744,354	147,716	61,057	30,943	29	984,099
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	20	3	2,635	1	11,972	14,631
Total Budgetary Resources	$ 744,798	$ 147,722	$ 66,024	$ 31,021	$ 12,890	$ 1,002,455
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 744,798	$ 147,722	$ 59,547	$ 30,930	$ 12,385	$ 995,382
Reimbursable	0	0	2,632	1	71	2,704
Total Obligations Incurred	744,798	147,722	62,179	30,931	12,456	998,086
Unobligated Balance , End of Year						
Apportioned	0	0	3,524	42	238	3,804
Unapportioned	0	0	321	48	196	565
Total Unobligated Balance, End of Year	0	0	3,845	90	434	4,369
Total Budgetary Resources	$ 744,798	$ 147,722	$ 66,024	$ 31,021	$ 12,890	$ 1,002,455
Change in Obligated Balance						
Unpaid obligations:						
Unpaid Obligations, Brought Forward, October 1	$ 67,556	$ 27,211	$ 2,892	$ 177	$ 2,493	$ 100,329
Obligations Incurred	744,798	147,722	62,179	30,931	12,456	998,086
Outlays, Gross	(741,480)	(146,308)	(61,660)	(30,993)	(12,262)	(992,703)
Recoveries of Prior Year Unpaid Obligations	(160)	(114)	(320)	(6)	(249)	(849)
Unpaid Obligations, End of Year	70,714	28,511	3,091	109	2,438	104,863
Uncollected payments:						
Uncollected Payments, Federal Sources, Brought Forward, October 1	0	0	0	0	(3,163)	(3,163)
Change in Uncollected Payments, Federal Sources	0	0	0	0	258	258
Uncollected Payments Federal Sources, End of Year	0	0	0	0	(2,905)	(2,905)
Memorandum (non-add) Entries:						
Obligated Balance, Start of Year	$ 67,556	$ 27,211	$ 2,892	$ 177	$ (670)	$ 97,166
Obligated balance, End of Year	$ 70,714	$ 28,511	$ 3,091	$ 109	$ (467)	$ 101,958
Budget Authority and Outlays, Net						
Budget Authority, Gross (Discretionary and Mandatory)	$ 744,374	$ 147,719	$ 63,692	$ 30,944	$ 12,001	$ 998,730
Actual Offsetting Collections (Discretionary and Mandatory)	(20)	(3)	(2,635)	(1)	(12,230)	(14,889)
Change in Uncollected Customer Payments From Federal Sources (Discretionary and Mandatory)	0	0	0	0	258	258
Budget Authority, Net (Discretionary and Mandatory)	$ 744,354	$ 147,716	$ 61,057	$ 30,943	$ 29	$ 984,099
Outlays, Gross (Discretionary and Mandatory)	741,480	146,308	61,660	30,993	12,262	992,703
Actual Offsetting Collections (Discretionary and Mandatory)	(20)	(3)	(2,635)	(1)	(12,230)	(14,889)
Outlays, Net (Discretionary and Mandatory)	741,460	146,305	59,025	30,992	32	977,814
Distributed Offsetting Receipts	(29,854)	(1,151)	(224)	(2,465)	0	(33,694)
Agency Outlays, Net (Discretionary and Mandatory)	$ 711,606	$ 145,154	$ 58,801	$ 28,527	$ 32	$ 944,120

Required Supplementary Information: Social Insurance

Program Description

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as "Social Security," provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2014, SSA paid OASDI benefits to about 59 million beneficiaries. The laws applicable for the period determine eligibility and benefit amounts. Current law provides that the amount of the monthly benefit payments for workers and their eligible dependents or survivors is based on the workers' lifetime earnings histories.

The OASDI program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries. The retired-worker benefits it pays replaces a larger proportion of earned income for lower earners than for higher earners. Changes in laws governing the program may alter the amount of OASDI income (e.g., payroll taxes) and benefits.

Program Finances and Sustainability

As discussed in Note 9 to the Consolidated Financial Statements, a liability of $93 billion as of September 30, 2015 ($89 billion as of September 30, 2014) is included in "Benefits Due and Payable" on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date. Virtually all of this amount was paid in October 2015. Also, an asset of $2,808 billion as of September 30, 2015 ($2,783 billion as of September 30, 2014) is recognized for the "investments in Treasury securities." These investments are referred to as the combined OASI and DI Trust Fund asset reserves throughout the remainder of this required supplementary information. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investments and Interest Receivable, Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2015 because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid or are due to be paid because benefit payments are nonexchange transactions and are not considered deferred compensation as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker's expected retirement benefits has been recognized by the time the worker retires.

Required Supplementary Information - While no liability has been recognized on the balance sheet for future obligations beyond those due at the reporting date, actuarial estimates are made of the long-range financial status of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

- **Income**: payroll taxes from employers, employees, and self-employed persons; revenue from Federal income tax on scheduled OASDI benefits; interest income from Treasury securities held as asset reserves of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;

- **Income excluding interest (Noninterest Income)**: income, as defined above, excluding the interest income from Treasury securities held as asset reserves of the OASI and DI Trust Funds;
- **Cost**: scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **Cashflow**: depending on the context, either income, noninterest income, or cost;
- **Net cashflow**: either income less cost or noninterest income less cost; however, net cashflow in this section refers to noninterest income less cost; and
- **Present value**: the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in *The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (2015 Trustees Report) (see Note 18 to the Statement of Social Insurance). The Statement of Social Insurance, the Statement of Changes in Social Insurance Amounts, and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. This information includes:

(1) present values of future estimated cost for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;

(2) estimated annual income, income (excluding interest), and cost as percentages of taxable payroll and gross domestic product (GDP);

(3) the ratio of estimated covered workers to estimated beneficiaries; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions.

Sustainable Solvency - Based on the estimates of income and cost presented in the Statement of Social Insurance, the OASDI program does not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program would need to be able to pay all scheduled benefits in full on a timely basis and maintain asset reserves in the combined OASI and DI Trust Funds at all times within the 75-year projection period. In addition, the asset reserves in the combined OASI and DI Trust Funds would need to be stable or rising as a percentage of annual program cost at the end of the period.

Cashflow Projections - Charts 1 through 4 show annual cashflow projections for the OASDI program. OASDI noninterest income and cost are estimated for each year from 2015 through 2089. However, income including interest is only estimated through 2034, the year that the asset reserves in the combined OASI and DI Trust Funds are projected to deplete. After the point of such depletion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income (noninterest income). Therefore, displaying annual income levels beyond the point of combined OASI and DI Trust Fund depletion would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

Estimates are for the open-group population (i.e., all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both during that period). Therefore, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include cost for such workers and their dependents during that period.

Amounts as a Percentage of Taxable Payroll - Chart 1 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of taxable payroll. Chart 2 is an extension of Chart 1, showing estimated annual noninterest income and cost through 2089 expressed as percentages of taxable payroll.

Chart 1 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of Taxable Payroll, 2015-2034

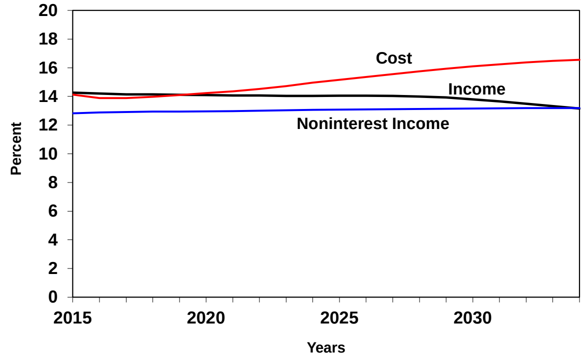
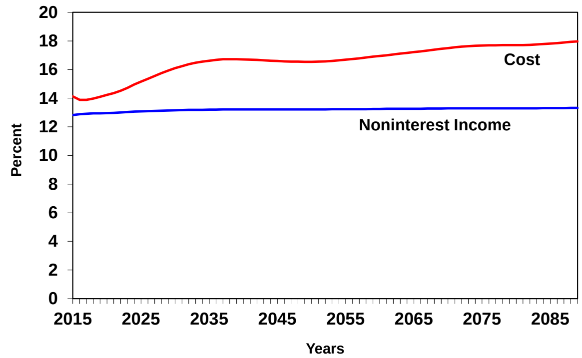


Chart 2 – Estimated OASDI Noninterest Income, and Cost, as a Percent of Taxable Payroll, 2015-2089



As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent) and the 12.4 percent that is paid on taxable self-employment income. In all years of the projection period, estimated annual cost is more than estimated annual income excluding interest. After 2017, estimated cost, expressed as a percentage of taxable payroll, increases rapidly through 2035 and is rising at the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 73 percent of the estimated cost.

As Chart 1 shows, estimated cost starts to exceed income including interest in 2020. This occurs because of a variety of factors including the retirement of the baby boom generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated annual cost is projected to exceed noninterest income in all years of the projection period. In any year, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption differs from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. The Government could finance this redemption by increasing its borrowing from the public, raising taxes (other than OASDI payroll taxes), and/or reducing expenditures (other than OASDI cost). Alternatively, the Government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits.

Actuarial Balance - The Statement of Social Insurance shows that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$13,440 billion. If augmented by the combined OASI and

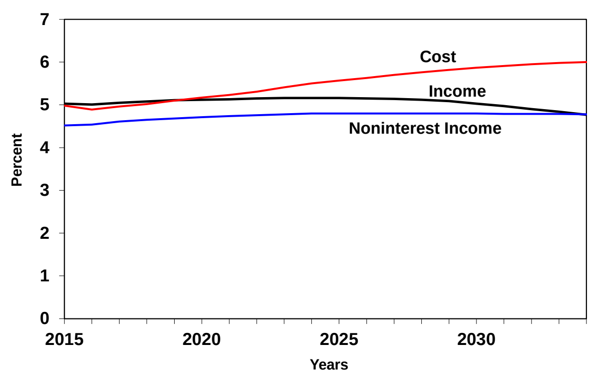
DI Trust Fund asset reserves at the start of the period (January 1, 2015), it is -$10,650 billion. This excess does not equate to the actuarial balance in the Trustees Report of -2.68 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

For the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period, revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax increase of 2.62 percentage points (from its current level of 12.40 percent to 15.02 percent). One interpretation of the actuarial balance is that its magnitude, 2.68 percent, should equal the necessary increase. However, the increase is different for two reasons. First, the necessary tax rate is the rate required to maintain solvency throughout the period that results in no asset reserves in the OASI and DI Trust Funds at the end of the period, whereas the actuarial balance incorporates an ending asset reserve in the OASI and DI Trust Funds equal to one year's cost. Second, the necessary tax rate reflects a behavioral response to tax rate changes, whereas the actuarial balance does not. In particular, the calculation of the necessary tax rate assumes that an increase in payroll taxes results in a small shift of wages and salaries to forms of employee compensation that are not subject to the payroll tax.

Alternatively, solvency could be achieved by reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of 16.4 percent applied to all current and future beneficiaries, or of 19.6 percent if the reductions were applied only to newly entitled beneficiaries. Finally, some combination of both tax increases and benefit reductions could be adopted.

Amounts as a Percentage of Gross Domestic Product - Chart 3 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of GDP. Chart 4 is an extension of Chart 3, showing estimated annual noninterest income and cost through 2089 expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2015-2034



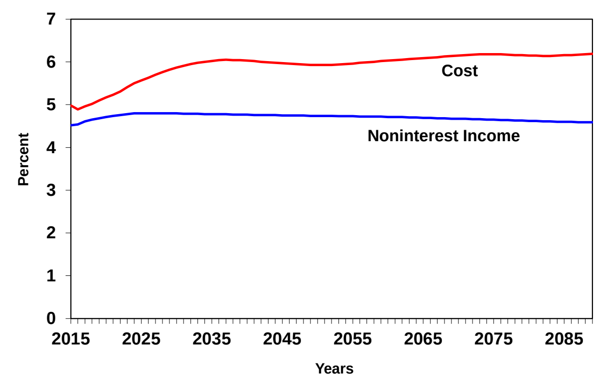


Chart 4 – Estimated OASDI Noninterest Income, and Cost, as a Percent of GDP, 2015-2089

In 2014, OASDI cost was about $859 billion, which was about 4.9 percent of GDP. The cost of the program (based on current law) rises rapidly to 5.9 percent of GDP in 2030, hits a peak of 6.0 percent of GDP in 2037, declines to 5.9 percent by 2050, and generally increases to 6.2 percent of GDP by 2089. The rapid increase from 2016 to 2030 is projected to occur as baby boomers become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer.

Ratio of Workers to Beneficiaries - Chart 5 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes based on services for wages in covered employment and/or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.8 in 2014 to 2.0 in 2089.

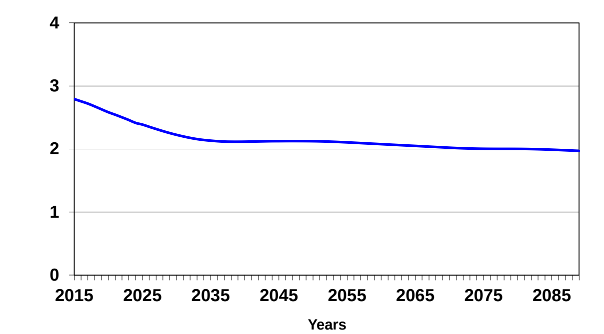


Chart 5 – Number of Covered Workers Per OASDI Beneficiary 2015-2089

Sensitivity Analysis

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because perfect long-range projections of these factors are impossible and actual experience is likely to differ from the estimated or assumed values of these factors, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real-wage differential, consumer price index, and real interest rate. The range of values chosen for the sensitivity analysis is intended to present a reasonable range within which future experience is generally expected to fall, on average over long time periods. The range of values is not intended to represent any particular probability interval around the intermediate assumptions.

For this analysis, the intermediate assumptions in the 2015 Trustees Report are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2015 and are based on estimates of income and cost during the 75-year projection period 2015-2089. In this section, for brevity, “income” means “noninterest income.”

For each assumption analyzed, one table and one chart are presented. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. The middle values provided correspond to the intermediate assumption of the Trustees. The chart shows the present value of each annual net cashflow.

Sensitivity of program cost to changes in multiple assumptions is also useful. The Trustees Report presents high-cost and low-cost alternative assumption sets, which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees, in their annual report, also include estimates using a stochastic model developed by the Office of the Chief Actuary. These estimates provide an additional way of analyzing variability in assumptions, income, and cost.

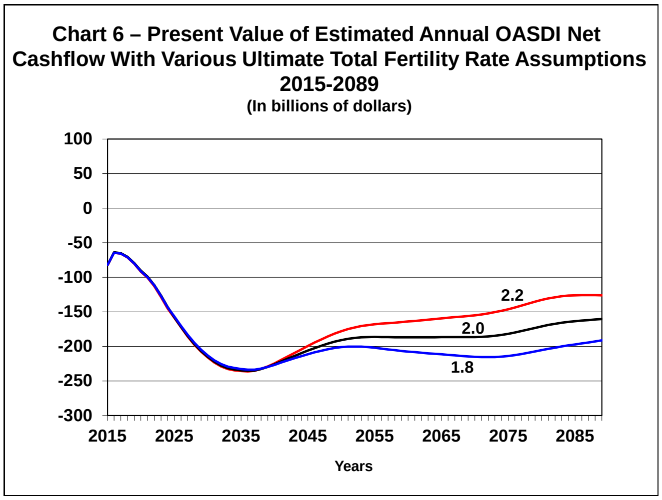
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the assumptions about the ultimate total fertility rate. These assumptions are 1.8, 2.0, and 2.2 children per woman, where 2.0 is the intermediate assumption in the 2015 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2032, 2027, and 2023 under alternatives I, II, and III, respectively.

Table 1 demonstrates that if the ultimate total fertility rate were changed from 2.0 children per woman, the Trustees’ intermediate assumption, to 1.8, the shortfall for the period of estimated OASDI income relative to cost would increase to $14,514 billion from $13,440 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to $12,234 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2015-2089

Ultimate Total Fertility Rate	1.8	2.0	2.2
Present Value of Estimated Excess (In billions)	-$14,514	-$13,440	-$12,234

Using the same total fertility rates used for the estimates in Table 1, Chart 6 shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 6 are similar. The present values based on all three ultimate total fertility rates are negative in all years of the 75-year projection period. The net cashflow estimates corresponding to all three ultimate fertility rates increase (become less negative) in 2016, decrease in years 2017-2036, and mostly increase thereafter. Net cashflow estimates corresponding to a 1.8 total fertility rate have one more significant period of decreasing present values in years 2053-2072. Based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2089 than it would to cover the annual deficit in 2035.

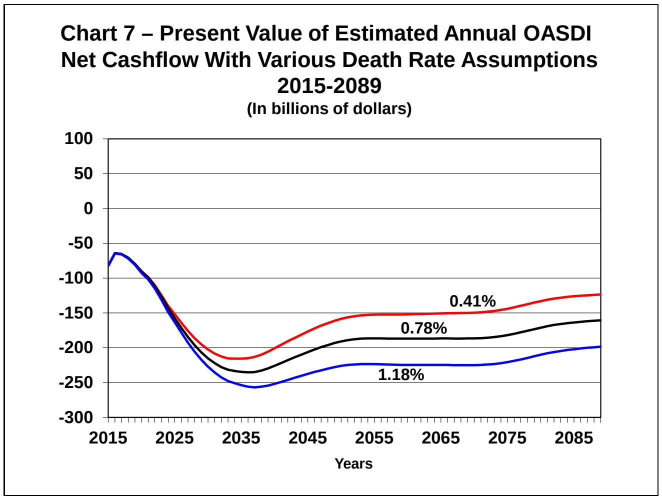
Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the reduction assumed to occur during 2014-2089 in death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate, are 0.41, 0.78, and 1.18 percent per year, where 0.78 percent is the intermediate assumption in the 2015 Trustees Report. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 26, 44, and 59 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 79.0 in 2014 to 82.8, 85.8, and 88.8 in 2089 for average annual reductions in the age-sex-adjusted death rate of 0.41, 0.78, and 1.18 percent, respectively.

Table 2 demonstrates that if the annual reduction in death rates were changed from 0.78 percent, the Trustees' intermediate assumption, to 0.41 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $11,467 billion from $13,440 billion; if the annual reduction were changed to 1.18 percent, meaning that people live longer, the shortfall would increase to $15,511 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2015-2089

Average Annual Reduction in Death Rates (from 2014 to 2089)	0.41 Percent	0.78 Percent	1.18 Percent
Present Value of Estimated Excess (In billions)	-$11,467	-$13,440	-$15,511

Using the same assumptions about future reductions in death rates used for the estimates in Table 2, Chart 7 shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 7 are similar. Under all three sets of assumptions, the net cashflow estimates are negative in all years of the 75-year projection period. After increasing (becoming less negative) in 2016, the present values are expected to decrease rapidly until around 2030. Present values based on all three sets of assumptions begin to increase (become less negative) in the 2030's (2035, 2037, and 2038 for projected reductions of 0.41, 0.78, and 1.18 percent per year, respectively). Therefore, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time, and generally continues to increase through 2089.

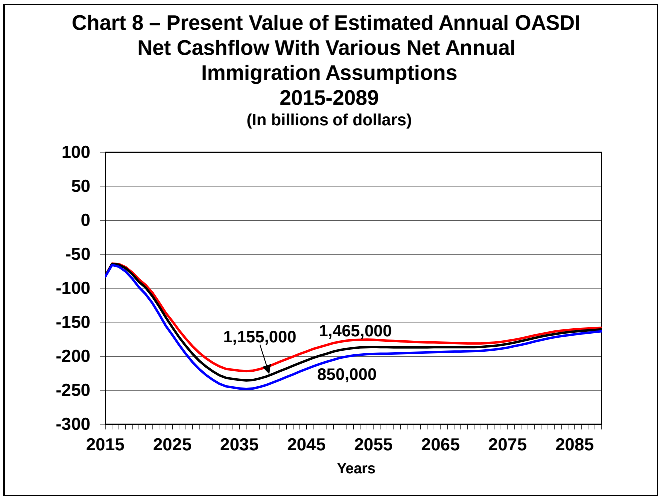
Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. Assumptions are made about the levels of legal immigration, legal emigration, other immigration, and other emigration. Based on these levels, it is projected that net annual immigration (legal and other) will average 850,000 persons, 1,155,000 persons, and 1,465,000 persons over the 75-year valuation period, where 1,155,000 persons is the average value based on the intermediate assumptions in the 2015 Trustees Report.

Table 3 demonstrates that if the Trustees' intermediate immigration assumptions were changed so that the average level for the 75-year period decreased from 1,155,000 persons to 850,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $14,082 billion from $13,440 billion. If, instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,465,000 persons, the present value of the shortfall would decrease to $12,839 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2015-2089

75-Year Average Net Annual Immigration	850,000 Persons	1,155,000 Persons	1,465,000 Persons
Present Value of Estimated Excess (In billions)	-$14,082	-$13,440	-$12,839

Using the same assumptions about net annual immigration used for the estimates in Table 3, Chart 8 shows the present value of the estimated annual OASDI net cashflow.



The three patterns of the present values shown in Chart 8 are similar. Under all three sets of assumptions, the net cashflow estimates are negative in all years of the 75-year projection period. After increasing (becoming less negative) in 2016, the present values are expected to decrease rapidly until around 2030. Present values based on all three sets of assumptions begin to increase (become less negative) in 2037 and mostly increase thereafter. Net cashflow estimates corresponding to net annual immigration averages of 1,465,000 have one more significant period of decreasing present values in years 2055-2070.

Very little difference is discernible in the first few years among the estimates of present values of net annual cashflow based on the three sets of assumptions about annual immigration. However, as the effect of these three levels of net annual immigration accumulate, variations in present values become more apparent. Because immigration generally occurs at relatively young adult ages, the effects initially are similar to those of total fertility rates. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Therefore, even in the early years, the present values, year by year, are generally higher (less negative in later years) for higher net annual immigration. However, the increased payroll taxes for a given year are eventually offset by benefits paid in that year to earlier immigrant cohorts. Therefore, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

Real-Wage Differential - The annual real-wage differential is the difference between the percentage increases in: (1) the average annual wage in OASDI covered employment; and (2) the average annual Consumer Price Index (CPI). The ultimate real-wage differential is the average of the annual real-wage differential for the last 65 years of the 75-year projection period. Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.55, 1.17, and 1.80 percentage points, where 1.17 percentage points is the intermediate assumption in the 2015 Trustees Report. In each case, the ultimate annual increase in the CPI is assumed to be 2.70 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.25, 3.87, and 4.50 percent, respectively.

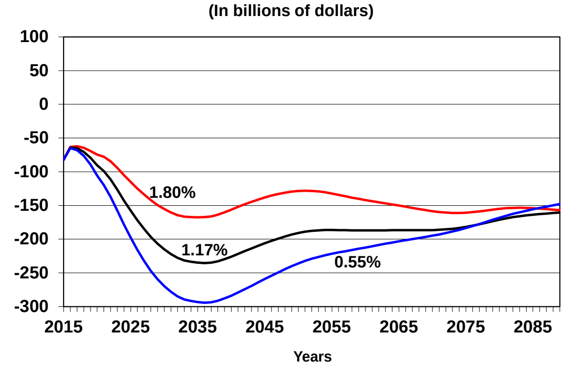
Table 4 demonstrates that if the ultimate real-wage differential were changed from 1.17 percentage point, the Trustees' intermediate assumption, to 0.55 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $15,419 billion from $13,440 billion; if the ultimate real-wage differential were changed from 1.17 to 1.80 percentage points, the shortfall would decrease to $10,457 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate Real-Wage Assumptions Valuation Period: 2015-2089

Ultimate Annual Increase in Wages, CPI; **Real-Wage Differential**	3.25%, 2.70%; **0.55%**	3.87%, 2.70%; **1.17%**	4.50%, 2.70%; **1.80%**
Present Value of Estimated Excess (In billions)	-$15,419	-$13,440	-$10,457

Using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4, Chart 9 shows the present value of the estimated annual OASDI net cashflow.

Chart 9 – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate Real-Wage Assumptions 2015-2089
(In billions of dollars)



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. Estimated cashflows increase (become less negative) in 2016 for the assumed ultimate real-wage differentials of 0.55 and 1.17 percentage points and increase in 2016-2017 for the assumed ultimate real-wage differential of 1.80. The present values then decrease through 2036 for assumed ultimate real-wage differentials of 0.55 and 1.17 percentage points and through 2035 for the assumed ultimate real-wage differential of 1.80. Present values based on all three assumptions begin to increase (become less negative) by 2037. Therefore, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For the assumed real-wage differential of 1.80 percentage points, the present values continue to increase until 2052 when decreases begin again and generally continue throughout the remainder of the projection period. The present values for the other two assumptions generally continue increasing throughout the remaining projection period.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small and the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly. However, toward the end of the projection period, annual net cashflow becomes more similar for all assumed real-wage differentials. This occurs because benefits would then be more fully realized at a time when the projected cost substantially exceeds noninterest income. These effects are depicted by the patterns in Chart 9 coming together at the end of the projection period.

Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.00, 2.70, and 3.40 percent, where 2.70 percent is the intermediate assumption in the 2015 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.17 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.17, 3.87, and 4.57 percent, respectively.

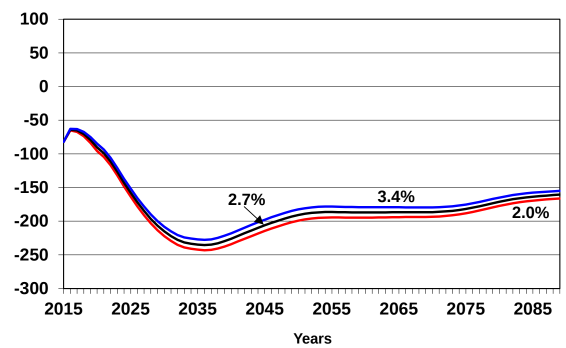
Table 5 demonstrates that if the ultimate annual increase in the CPI were changed from 2.70 percent, the Trustees' intermediate assumption, to 2.00 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $13,948 billion from $13,440 billion; if the ultimate annual increase in the CPI were changed to 3.40 percent, the shortfall would decrease to $12,930 billion. The seemingly counter-intuitive result that higher CPI increases result in decreased shortfalls (and vice versa) is explained by the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. The effect on taxable payroll due to a greater increase in average wages is experienced immediately, while the effect on benefits is experienced with a lag of about one year. For this reason, larger increases in the CPI cause earnings and income to increase sooner and, therefore, by more each year, than benefits and cost.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various Ultimate CPI-Increase Assumptions Valuation Period: 2015-2089

Ultimate Annual Increase in Wages, **CPI**; Real-Wage Differential	3.17%, **2.00%**; 1.17%	3.87%, **2.70%**; 1.17%	4.57%, **3.40%**; 1.17%
Present Value of Estimated Excess (In billions)	-$13,948	-$13,440	-$12,930

Using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5, Chart 10 shows the present value of the estimated annual OASDI net cashflow.

Chart 10 – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate CPI-Increase Assumptions 2015-2089
(In billions of dollars)



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. Under all three sets of assumptions, the net cashflow estimates are negative in all years of the 75-year projection period. After increasing (becoming less negative) in 2016, the present values based on all three sets of assumptions begin to increase (become less negative) in 2037 and generally increase thereafter. Therefore, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) in 2037, and continues to increase through 2089.

Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 2.4, 2.9, and 3.4 percent, where 2.9 percent is the intermediate assumption in the 2015 Trustees Report. Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change.

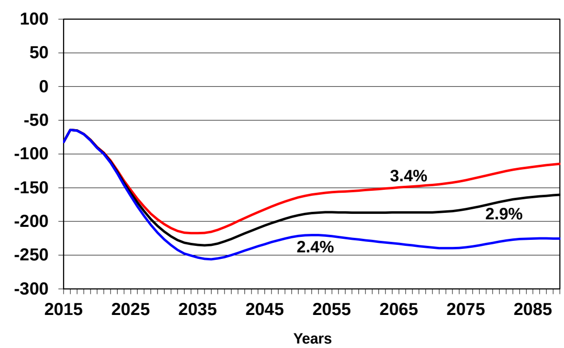
Table 6 demonstrates that if the ultimate real interest rate were changed from 2.9 percent, the Trustees' intermediate assumption, to 2.4 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms would increase to $15,921 billion from $13,440 billion; if the ultimate annual real interest rate were changed to 3.4 percent, the present-value shortfall would decrease to $11,460 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost
With Various Ultimate Real Interest Assumptions
Valuation Period: 2015-2089

Ultimate Annual Real Interest Rate	2.4 Percent	2.9 Percent	3.4 Percent
Present Value of Estimated Excess (In billions)	-$15,921	-$13,440	-$11,460

Using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6, Chart 11 shows the present value of the estimated annual OASDI net cashflow.

Chart 11 – Present Value of Estimated Annual OASDI Net Cashflow With Various Ultimate Real Interest Rate Assumptions 2015-2089
(In billions of dollars)



The net cashflow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The three patterns of the present values shown in Chart 11 are similar. After increasing (becoming less negative) in 2016, the present values are expected to decrease rapidly until around 2030. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2038, 2037, and 2036 for assumed ultimate real interest rates of 2.4, 2.9, and 3.4 percent, respectively). Therefore, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. The present values for all three sets of assumptions continue to mostly increase throughout the remaining projection period. Net cashflow estimates corresponding to a 2.4 percent real interest rate have one more significant period of decreasing present values in years 2053-2072.

AUDITOR'S REPORTS

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2015

The Honorable Carolyn W. Colvin
Acting Commissioner

The *Chief Financial Officers Act of 1990* (CFO) (Pub. L. No. 101-576), as amended, requires that the Social Security Administration's (SSA) Inspector General (IG) or an independent external auditor, as determined by the IG, audit SSA's financial statements in accordance with applicable standards. Under a contract monitored by the Office of the Inspector General (OIG), Grant Thornton LLP (Grant Thornton) an independent certified public accounting firm, audited SSA's Fiscal Year (FY) 2015 financial statements. Grant Thornton also audited the FY 2014 financial statements presented in SSA's FY 2015 Agency Financial Report for comparative purposes. This letter transmits the Grant Thornton *Independent Auditor's Report* on the audit of SSA's FY 2015 financial statements. Grant Thornton's, report includes the following.

- Opinion on Financial Statements
- Opinion on Management's Assertion About the Effectiveness of Internal Control
- Report on Compliance and Other Matters

Objective of a Financial Statement Audit

The objective of a financial statement audit is to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used, and significant estimates made, by management as well as an evaluation of the overall financial statement presentation.

Grant Thornton conducted its audit in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. The audit included obtaining an understanding of the internal control, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as considered necessary under the circumstances. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. The risk of fraud is inherent to many of SSA's programs and operations, especially in the Supplemental Security Income program. In our opinion, people outside the organization perpetrate most of the fraud against SSA.

Audit of Financial Statements, Effectiveness of Internal Control, and Compliance with Laws and Regulations

Grant Thornton issued an unmodified opinion on SSA's FY 2015 and 2014 financial statements. Grant Thornton also reported that SSA was maintaining effective internal control over financial reporting as of September 30, 2015 based on criteria under OMB Circular A-123, *Management's Responsibility for Internal Control*, and the *Federal Manager's Financial Integrity Act of 1982* (FMFIA). However, Grant Thornton did identify three significant deficiencies in internal controls.

Significant Deficiency – Information Systems Control

It is Grant Thornton's opinion that SSA made progress in strengthening controls over its information systems to address the significant deficiency reported in FY 2014. While SSA continued executing its risk-based approach to strengthen controls over its systems and address weaknesses, Grant Thornton's FY 2015 testing identified similar control issues in both design and operation of key controls. Grant Thornton identified information systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of Information Systems Controls. Specifically, Grant Thornton's testing disclosed the following.

1. Weaknesses with cyber/network security controls during testing of threat and vulnerability management processes.
2. Recurring issues during site visits associated with security management, physical and logical access controls, and platform security. Further, it noted areas where SSA's requirements and guidance were ambiguous and not sufficiently documented, resulting in noncompliance or inconsistent implementation with SSA policy. Finally, it noted a lack of oversight for decentralized information systems and locations, inconsistent implementation of SSA information technology control requirements associated with system development and a lack of risk management activities, including but not limited to, security assessment and authorization processes in the regions and disability determination services.
3. While SSA made progress in addressing the FY 2014 significant deficiency, a lack of comprehensive Agency-wide policy and procedures related to management of application and system software changes, many procedures related to management of application and system software changes were still in development and had not been effectuated through SSA's central office and regions. Grant Thornton continued to note that SSA's systems software change processes did not require security categorization and risk analysis for changes, testing requirements based on risk, and requirements for the review and approval of testing results.
4. Weaknesses in logical access controls, such as access authorization, access removal, profile content, and analysis review program and supporting profile controls, as well as, numerous issues of unauthorized and inappropriate access.

Significant Deficiency – Calculation, Recording, and Prevention of Overpayments

In addition to the Information Systems Control significant deficiency, Grant Thornton identified three deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to the Calculation, Recording, and Prevention of Overpayments. Specifically, Grant Thornton's testing disclosed

1. control weaknesses over overpayment documentation and overpayment calculation errors with 24 percent of items selected in its statistical sample, which lead to difficulties in substantiating accounts receivable balances;

2. system limitations where overpayment receivable installment payments extending beyond year 2049 were not systematically tracked and reported; and
3. control failures where SSA was not reconciling key data fields between SSA internal databases, resulting in overpayment errors.

Significant Deficiency – Redeterminations

Finally, Grant Thornton identified deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to redeterminations. Specifically, Grant Thornton's testing disclosed instances where redetermination interviewers did not comply with established control policies, and results were not appropriately recorded.

Grant Thornton identified no reportable instances of noncompliance with the laws, regulations, or other matters tested.

OIG Evaluation of Grant Thornton Audit Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of SSA's FY 2015 financial statements by

- reviewing Grant Thornton's audit approach and planning;
- evaluating its auditors' qualifications and independence;
- monitoring the audit's progress at key points;
- examining Grant Thornton's documentation related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Grant Thornton's audit report to ensure compliance with Government Auditing Standards and OMB Bulletin No. 15-02;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Grant Thornton is responsible for the attached auditor's report, dated November 9, 2015 and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Grant Thornton's performance under the terms of the contract. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and, accordingly, we do not express, an opinion on SSA's financial statements, management's assertions about the effectiveness of its internal control over financial reporting or SSA's compliance with certain laws and regulations. However, our monitoring review, as qualified above, disclosed no instances where Grant Thornton did not comply with applicable auditing standards.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of this report to congressional committees with oversight and appropriation responsibilities over SSA. In addition, we will post a copy of the report on our public Website.

Patrick P. O'Carroll, Jr.
Inspector General

Audit • Tax • Advisory
Grant Thornton LLP
333 John Carlyle Street, Suite 400
Alexandria, VA 22314-5745
T 703.837.4400
F 703.837.4455
www.GrantThornton.com

Honorable Carolyn W. Colvin
Acting Commissioner
Social Security Administration

INDEPENDENT AUDITOR'S REPORT

In our audit of the Social Security Administration (SSA), we found:

- The consolidated balance sheets of SSA as of September 30, 2015 and 2014, the related consolidated statements of net cost and changes in net position, the combined statements of budgetary resources for the years then ended, the statements of social insurance as of January 1, 2015, January 1, 2014, January 1, 2013, January 1, 2012, and January 1, 2011 and the statements of changes in social insurance amounts for the periods January 1, 2014 to January 1, 2015 and January 1, 2013 to January 1, 2014 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- Management fairly stated that SSA's internal control over financial reporting was operating effectively as of September 30, 2015;
- No instances of substantial noncompliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA); and
- No reportable instances of noncompliance with laws, regulations, contracts, grant agreements or other matters tested.

The following sections outline each of these conclusions in more detail.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of SSA, which comprise the consolidated balance sheets as of September 30, 2015 and 2014 and the related consolidated statements of net cost and changes in net position, the combined statements of budgetary resources for the years then ended, the statements of social insurance as of January 1, 2015, January 1, 2014, January 1, 2013, January 1, 2012, and January 1, 2011 and the statements of changes in social insurance amounts for the periods January 1, 2014 to January 1, 2015 and January 1, 2013 to January 1, 2014 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Grant Thornton

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above and presented on pages 50 through 87 of this Agency Financial Report (AFR) present fairly, in all material respects, the financial position of SSA as of September 30, 2015 and 2014, its net cost of operations, changes in net position, and budgetary resources for the years then ended, the financial condition of its social insurance program as of January 1, 2015, January 1, 2014, January 1, 2013, January 1, 2012, and January 1, 2011 and changes in social insurance amounts for the periods January 1, 2014 to January 1, 2015 and January 1, 2013 to January 1, 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the statements of social insurance present the actuarial present value of SSA's estimated future income to be received from or on behalf of the participants and estimated future expenditures to be paid to or on behalf of participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statement of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statement of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statement of social insurance and the actual results, and those differences may be material.

OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL

We have examined management's assertion included on page 40 of this AFR, that SSA maintained effective internal control over financial reporting as of September 30, 2015, based on criteria established under 31 U.S.C. 3512(c), (d), the *Federal Managers' Financial Integrity Act of 1982* (FMFIA), and the OMB Circular No. A-123, *Management's Responsibility for Internal Control*. We did not test all internal controls, relevant to the operating objectives broadly, defined by FMFIA. SSA's management is responsible for maintaining effective internal control over financial reporting and for its assertion of the effectiveness of internal control over financial reporting included in the accompanying FMFIA Assurance Statement on page 40 of this AFR. Our responsibility is to express an opinion on managements assertion based on our examination.

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We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA); *Government Auditing Standards,* issued by the Comptroller General of the United States; and internal control audit requirements included in OMB Bulletin No. 15-02. Attestation standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness or significant deficiency exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An Agency’s internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with generally accepted accounting principles. An Agency’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Agency; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Agency are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Agency’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. No deficiencies in internal control were identified that were considered material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies that, in the aggregate, are considered significant deficiencies in the areas of Information Systems Controls and Calculation, Recording and Prevention of Overpayments and Redeterminations.

SIGNIFICANT DEFICIENCY - INFORMATION SYSTEMS CONTROLS

Overview

Management relies extensively on information systems for the administration and processing of the Title II and Title XVI programs, to both process and account for their expenditures, as well as, for financial reporting. Internal controls over these environments are essential for the reliability and integrity of the program’s data and mitigate the risks of misstatements whether due to fraud or error.

Our internal control testing covered both general and application controls. General controls encompass the security management program, access controls (physical and logical), configuration and change management, segregation of duties, and service continuity/contingency planning. General controls provide the foundation for the integrity of

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systems including applications and the system software which make up the general support systems for the major applications. General controls, combined with application level controls, are critical to ensure accurate and complete processing of transactions and integrity of stored data. Application controls include controls over input, processing of data, and output of data as well as interface, master file, and other user controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of the Agency's mainframe, networks, databases, applications, and other supporting systems and was conducted at headquarters, as well as, off-site locations.

Deficiencies Noted in Information Systems

SSA continues to make progress in strengthening controls over its information systems to address the significant deficiency reported in Fiscal Year (FY) 2014. In response to continued control weaknesses, SSA's functional remediation teams continue to implement risk based corrective actions, which, in many cases, is a continuation of ongoing remedial efforts from past years. Management's planned risk based approach included correction of weaknesses identified through our specific tests, as well as, development and implementation of institutionalized and repeatable processes to prevent future weaknesses.

While SSA continued executing its risk-based approach to strengthen controls over its systems and address weaknesses, our FY 2015 testing identified similar control issues in both design and operation of key controls. We believe that, in many cases, these deficiencies continue to exist because of one, or a combination, of the following:

- Risk mitigation strategies and related control enhancements require additional time to be fully implemented or to effectuate throughout the environment.
- SSA focused its resources on higher risk weaknesses and therefore was unable to implement corrective action for all aspects of the prior year deficiencies.
- The design of enhanced or newly designed controls did not completely address risks and recommendations provided over past audits.
- Oversight and governance were not sufficient to address deficiencies.

We noted deficiencies that contribute to the significant deficiency in the areas of threat and vulnerability management, information technology (IT) oversight and governance, change management, and access controls.

Threat and Vulnerability Management

Configuration, vulnerability, and patch management processes are critical components of an effective cyber security strategy. These processes and related controls that prevent or detect weaknesses such as misconfigurations, weak credentials, and vulnerabilities are essential in combating internal and external cyber threats, exploitations, and unauthorized access. Our information security and penetration testing, vulnerability management, and configuration management assessments identified control weaknesses with cyber/network security controls, many of which continue to exist from past audits. Specific disclosure of detailed information about these weaknesses might further compromise controls and are therefore not provided within this report. Rather, the specific details are presented in a separate, limited-distribution management letter.

IT Oversight and Governance

Appropriate IT governance and oversight provides assurance that risks are identified and assessed, controls are appropriately designed, and are operating effectively across the Agency's information systems and locations. Through the Agency's security management program, SSA's risk management framework must include a continuous cycle of activity for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of those procedures. We noted as part of our field testing that issues continued to persist from past audits due to limited remediation in the current FY associated with past weaknesses. Specifically,

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recurring issues continue to be cited associated with security management, physical and logical access controls, and platform security. Further, there are areas where SSA's requirements and guidance was ambiguous and/or not sufficiently documented, which resulted in inconsistent implementation or noncompliance with SSA policy. Finally, we noted a lack of oversight for decentralized information systems and locations, inconsistent implementation of SSA IT control requirements associated with system development, and a lack of risk management activities, including but not limited to, security assessment and authorization (SA&A) processes in the regions and disability determination services (DDS).

Change Management

Change management processes provide assurance that software, data, and other changes associated with information systems are approved and tested so they do not introduce functional or security risks. A disciplined process for testing, approving, and migrating changes between environments, including into production, is essential to ensure that systems operate as intended and that no unauthorized changes are implemented. SSA implemented a change management directive in FY 2015 which documented control objectives and requirements for centralized and decentralized applications developed by SSA. However, many procedures designed to support the directive were still in development and the directive had not effectuated through SSA's central office and regions. In addition, we continue to note that SSA's system software change processes did not require security categorization and risk analysis for all changes, testing requirements based on risk, and requirements for the review and approval of testing results.

Access Controls

Access controls provide assurance that critical systems assets are physically safeguarded and that logical access to sensitive applications, system utilities, and data is provided only when authorized and appropriate. Weaknesses in such controls can compromise the integrity of sensitive data and increase the risk that such data may be inappropriately accessed and/or disclosed. Our testing identified control failures related to appropriate completion of logical access authorization forms and timely removal of location access. Further, we continue to note that SSA did not have an authoritative source to identify and manage all contractors and therefore was unable to supply actual departure dates for contractors to substantiate timely removal of access. Finally, we noted that SSA management continued to make progress in assessing profile content to validate that profiles only provide access to the minimal resources required for users to complete job functions. However, SSA had not completed the review of all profiles that are relevant to critical applications and supporting systems nor had SSA completed other profile quality initiatives including, but not limited to, control enhancements. As a result of these deficiencies, we noted numerous issues of unauthorized and inappropriate access including application developers (programmers) who had unmonitored access to production data and application transactions, key transactions and data, key change management libraries, and other sensitive system software resources.

Recommendations

In order to mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

- Address specific weaknesses noted in information security and penetration testing, as well as, vulnerability/configuration management assessments. In addition, SSA should continue, as part of the SSA threat and vulnerability management processes, prioritization and implementation of risk mitigation strategies and plans of action and milestones.
- Enhance current information technology oversight and governance processes to ensure SSA information technology risk management requirements, as they apply to SSA systems, cloud systems, and contractor systems, are effectively and consistently implemented across the organization.

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- Develop comprehensive policies and procedures related to application and system-software change management that address issues noted during the audit.
- Analyze account management controls including access authorization, recertification, and removal processes to determine whether current controls mitigate the risk of unauthorized access and modify controls considering automation and oversight of processes.
- Continue, as part of the Cyber Sprint initiative, to improve controls over privileged accounts.
- Continue, as part of the SSA profile quality program, additional profile content reviews and profile improvement initiatives.

SIGNIFICANT DEFICIENCY – CALCULATION, RECORDING AND PREVENTION OF OVERPAYMENTS

Overview

Benefit overpayments occur when beneficiaries receive payments beyond their entitled amount. Upon detection of an overpayment, the SSA records an accounts receivable with the public to reflect the amount due to SSA from the beneficiary. Because of the nature of the benefit payment programs, SSA has extensive operations geographically dispersed throughout the United States. Overpayment detection, calculation, and documentation can take place in various places, including approximately 1,200 Field Offices (FOs) or eight Processing Centers (PCs). Therefore, SSA has specific policies and procedures in place to ensure consistent treatment and documentation of overpayments and the related accounts receivable balances. Since this process can be complex for some cases and relies heavily on manual input, SSA's adherence to its policies and procedures is critical to correct and timely decisions, and accurately tracking balances. Management also relies heavily on its IT infrastructure, interfaces and controls to record and prevent erroneous payments.

Deficiencies in Overpayment Calculations and Records

During FY 2015, the Agency implemented a new Continuous Quality Review (CQR) control in all of its regions to remediate findings noted in the prior year over the calculation and recording of overpayments. However, despite the addition of the CQR control, Grant Thornton continued to note control deficiencies in the documentation maintained around overpayments, due to manual errors and failure to properly retain documents. Insufficient documentation to support overpayments can lead to difficulties in calculating and substantiating outstanding accounts receivable balances. In addition, we selected a statistical sample of overpayments and noted overpayment calculation errors with 24 percent of the items selected. Although the impact of these calculation errors is not deemed material to the financial statements, these errors evidence control weaknesses in the accounts receivable process, including inappropriate overpayment tracking that could lead to misstatements in the financial statements.

Deficiencies in Overpayment Records and Tracking

Large overpayment balances are often paid back to SSA in monthly installments. Payments of these installments can go beyond the Year 2049. SSA has identified a systems limitation where receivable installments extending past the Year 2049 are not tracked and reported systematically. Therefore, the accounts receivable balances related to these overpayments is understated. The projected understatements are immaterial. This issue has been previously discussed in Government Accountability Office (GAO) reports and continues to be studied by SSA.

While the Agency is working on enhancing the capabilities to properly account for these receivables and updating policies to avoid longer term repayment programs, failure to resolve the Year 2049 issue will continue to increase the likelihood of errors due to the manual process of tracking this debt, as well as continue to understate accounts receivable balances.

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Deficiencies in Overpayment Prevention

While conducting Computer Assisted Auditing Techniques (CAATs), we continued to identify certain key data fields, such as Date of Death, which did not agree between SSA internal databases (master files). As a result, our testing detected overpayments issued to a limited number of individuals who were not entitled to benefits. While these cases were clearly immaterial to SSA financial statements, they were indicative of a control failure where SSA's data reconciliations were not operating effectively and/or potential discrepancies were not acted upon in a timely fashion in order to detect and prevent overpayment errors. While overpayments occur for many reasons, SSA should take all possible actions under their control to prevent and detect such payments. Failure to detect overpayments results in continued erroneous benefit payments and unrecorded corresponding accounts receivable. The longer an overpayment goes undetected, the greater the overpayment balance becomes while the probability of accounts receivable collection decreases. This finding continues to recur and we note CAATs routines performed in prior years continue find the same exceptions in the current year, indicating the agency is not timely detecting overpayments.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

Deficiencies in Overpayment Calculations and Records

- Continue evaluating current overpayment balances, based on a risk based approach, to detect and correct errors in existing overpayment balances, considering manual intervention, balance, and age. Consider analyzing debt outstanding for individuals with a Date of Death on any SSA system.
- Enhancing documentation requirements and improve overpayment documentation tools to ensure overpayments are completely, accurately, and timely documented by FOs or Processing Centers (PCs) within the appropriate systems of record.
- Continue to increase management review over manual transactions impacting overpayment balances, including CQ Reviews and PC Inline Reviews.

Deficiencies in Overpayment Records and Tracking

- Evaluating technical enhancements that will address payment plans that extend beyond the Year 2049.
- Continue pursuing changes in repayment policy to minimize future long-term repayment plans.

Deficiencies in Overpayment Prevention

- Continue enhancing periodic reconciliations between SSA data which can impact payment amounts in order to detect and act on overpayments more timely.

SIGNIFICANT DEFICIENCY – REDETERMINATIONS

As the Supplemental Security Income (SSI) Program is a needs based program, beneficiaries' payments amounts can change based on numerous factors such as income, assets and living situations. SSA requires its SSI beneficiaries to undergo periodic reviews of their benefit payment amount considering these factors. Claims representatives in the field office perform this process during a redetermination interview. In order to ensure consistent processing of redeterminations across the approximately 1,200 field offices, SSA has detailed policies and procedures as well as an internal control system related to the completion of redeterminations, which rely heavily on human input by the claims representatives.

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We observed redetermination interviews in process and noted several instances where the interview did not comply with established control policies due to claims representative manual errors. In the interviews where we noted exceptions, the unanswered questions or responses recorded incorrectly could lead to changes in benefit payment amounts.

In addition, we selected a sample of completed redeterminations and noted deficiencies in the documentation of the redetermination. Failure to perform and document redeterminations in accordance with established policies could result in benefit overpayments, including payment to ineligible individuals and the potential inability to support benefit payment amounts.

Recommendations

To mitigate the risks of the issues noted in the significant deficiency, management should consider the following:

- Enhance training and reminders to claims representatives completing redeterminations in the field offices to ensure that all applicable questions in the redetermination application are answered.
- Increase the frequency and scope of management review over redetermination interviews.
- Establish and enforce procedures to ensure that claims representatives encourage beneficiaries to do a thorough review of the redetermination input data.

In our opinion, management's assertion that SSA maintained effective internal control over financial reporting as of September 30, 2015 is fairly stated, in all material respects, based on criteria established under FMFIA and OMB Circular No. A-123.

Report on Compliance and Other Matters

The management of SSA is responsible for compliance with laws, regulations, contracts, and grant agreements, if applicable. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with laws, regulations, contracts, and grant agreements, including laws governing the use of budgetary authority, government-wide policies and other laws and regulations, noncompliance with which could have a direct and material effect on the financial statements. Under FFMIA, we are required to report whether SSA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

We did not test compliance with all regulations and contracts applicable to SSA. We limited our tests of compliance to the provisions of laws, regulations and contracts cited in the preceding paragraph of this report. Providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our test of compliance disclosed no instances of noncompliance with laws, regulations and contracts, or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02, and no instances of substantial noncompliance that are required to be reported under FFMIA.

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Other Matters

The Management's Discussion and Analysis (MD&A) and the Schedule of Budgetary Resources included on pages 6 through 44 and page 94, respectively, and the Required Supplementary Information (RSI) included on pages 95 through 106 of this AFR are not a required part of the basic financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements.* This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the AICPA. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Agency's Responses to Findings

The Agency's responses to the findings identified in our audit and presented on pages 119 through 124 of this AFR were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Other Information

The Acting Commissioner's Message on page 1 and the other information included on pages 2 through 5, 47 through 49, 88 through 93, 125 through to the end of this AFR, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Our report is intended solely for the information and use of management of SSA, the Office of the Inspector General, the OMB, the Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Alexandria, Virginia
November 9, 2015

SOCIAL SECURITY

The Commissioner

November 9, 2015

Grant Thornton LLP
333 John Carlyle St.
Alexandria, VA 22314

Ladies and Gentlemen:

We have reviewed the draft Independent Auditor's Report concerning your audit of our fiscal year (FY) 2015 financial statements. We are extremely pleased that we received our 22nd consecutive unmodified opinion on our financial statements, an unmodified opinion on management's assertion that our internal controls over financial reporting were operating effectively, and that we had no reportable instances of noncompliance with laws, regulations, or other matters tested.

We are pleased that you acknowledged our progress in strengthening controls over our information systems to address the significant deficiency reported in FY 2014. While we made significant progress to strengthen controls over our systems and to address the previously identified weaknesses, you identified control issues in both the design and operation of key controls, resulting in a significant deficiency in information systems controls. We concur with your recommendations and remain committed to the continuous enhancement of our internal controls over information systems. We will continue to pursue a risk-based corrective action plan to address threat and vulnerability management, information technology oversight and governance, change management, and access controls.

Your report identified certain deficiencies related to the calculation, recording, and prevention of overpayments that, when aggregated, you considered a significant deficiency. We acknowledge the need to strengthen our overpayment controls. We will continue to implement the necessary risk-based corrective actions to calculate, record, track, and prevent overpayments. This fiscal year, your report also identified exceptions related to redetermination interviews and documentation that, when aggregated, you considered a significant deficiency. We acknowledge the importance in performing and documenting redeterminations in accordance with established policies and procedures. We will implement the necessary risk-based corrective actions to ensure consistent processing of redeterminations.

We have enclosed a more detailed explanation of our plans. If members of your staff have any questions, they may contact Carla Krabbe at (410) 965-0759.

Sincerely,

Carolyn W. Colvin

Carolyn W. Colvin
Acting Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Enclosure – Page 1 – Grant Thornton LLP

Comments of the Social Security Administration on Grant Thornton LLP's
Fiscal Year 2015 Draft Independent Auditor's Report

General Comments

Thank you for the opportunity to comment on the draft Independent Auditor's Report concerning our fiscal year (FY) 2015 financial statements.

We are pleased that your report notes our progress in strengthening controls over our information systems to address the prior year significant deficiency. As we did in FY 2015, we will continue to strengthen our security program by remediating and institutionalizing the processes we put in place, making risk-based decisions, continuing to leverage current agency processes, and adding layers of defense to our current security program.

Your report identifies certain deficiencies related to the calculation, recording, and prevention of overpayments. We acknowledge the need to strengthen our controls in the overpayment process and will implement the necessary risk-based corrective actions to calculate, record, track, and prevent overpayments.

Your report also identifies exceptions related to redetermination interviews and documentation. We acknowledge the importance in performing and documenting redeterminations in accordance with established policies and procedures. We will explore and implement the necessary risk-based corrective actions to ensure consistent processing of redeterminations.

We offer the following comments.

Significant Deficiency - Information Systems Controls

Recommendation 1 (Threat and Vulnerability Management)

Address specific weaknesses noted in information security and penetration testing, as well as, vulnerability/ configuration management assessments. In addition, SSA should continue, as part of the SSA threat and vulnerability management processes, prioritization and implementation of risk mitigation strategies and plans of action and milestones.

Comment

We agree with this recommendation. In FY 2015, we expanded our penetration testing program to include the analysis of external threats, in addition to internal threats. We successfully implemented new policies and programs to mitigate risks in this area. On October 19, 2015, we implemented a zero tolerance policy for weak credentials as we further refine our threat and vulnerability management program. We continue to emphasize prioritization and implementation of risk mitigation strategies, and plans of action and milestones as we remediate vulnerabilities.

Recommendation 2 (IT Oversight and Governance)

Enhance current information technology oversight and governance processes to ensure SSA information technology risk management requirements, as they apply to SSA systems, cloud systems, and contractor systems, are effectively and consistently implemented across the organization.

Comment

We agree with this recommendation. We continue to improve and standardize processes for information technology (IT) applications developed by non-Deputy Commissioner for Systems components and establish criteria for IT applications subject to Security Assessment and Authorization requirements.

For disability determinations services (DDS), we are accelerating the expansion of the suitability clearance process to identify and strengthen our controls surrounding Homeland Security Presidential Directive 12 suitability clearances for the State DDSs. We are in the process of implementing an automated, standardized DDS Security

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Plan that includes logs to facilitate the annual review and recertification of physical access to DDS facilities, including sensitive areas such as the computer room. The plan requires annual review and recertification of all parts, including the access logs. The DDS Security Plan also includes logs to facilitate the review of AS/400 security relevant events and command line access of users with privileged access and special authorities.

Regarding cloud systems, we are identifying risks and establishing processes and controls to assess and monitor cloud service providers.

In addition, we are working to ensure that our information security program extends to externally-managed contractor systems operating on our behalf. We continue working to improve current IT oversight and governance processes to ensure our systems comply with appropriate risk management requirements.

Recommendation 3 (Change Management)

Develop comprehensive policies and procedures related to application and system-software change management that address issues noted during the audit.

Comment

We agree with this recommendation. In FY 2015, we developed comprehensive policies and procedures related to application and system software change management. In addition, we placed the *SSA Application Software Release and Configuration Management Directive* into effect as part of a multi-stage approach to documenting comprehensive end-to-end policy and procedures. This comprehensive directive covers the entirety of change management processes and controls we conduct. For FY 2016, we will continue to implement tools, policies, and procedures in support of this directive.

Recommendation 4 (Access Controls)

Analyze account management controls including access authorization, recertification, and removal processes to determine whether current controls mitigate the risk of unauthorized access and modify controls considering automation and oversight of processes.

Comment

We agree with this recommendation. In FY 2015, we developed and tested a fully automated process to grant logical access. Scheduled for release in early FY 2016, this fully automated process will help continue to mitigate the control failures in access authorization.

Recommendation 5 (Access Controls)

Continue, as part of the Cyber Sprint initiative, to improve controls over privileged accounts.

Comment

We agree with this recommendation. In FY 2016, we will enhance our current policies and procedures associated with privileged accounts and expand privileged account review efforts across our platforms.

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Recommendation 6 (Access Controls)

Continue, as part of the SSA profile quality program, additional profile content reviews and profile improvement initiatives.

Comment

We agree with this recommendation. In FY 2015, we made great progress in implementing least privilege access to financially significant resources. We also expanded our profile content review campaign to include batch profiles and performed systematic clean up to remove latent access. For FY 2016, we plan to finalize and document a strategy to periodically review high priority profiles.

Significant Deficiency - Calculation, Recording, and Prevention of Overpayments

Deficiencies in Overpayment Calculations and Records

Recommendation 1

Continue evaluating current overpayment balances, based on a risk based approach, to detect and correct errors in existing overpayment balances, considering manual intervention, balance, and age. Consider analyzing debt outstanding for individuals with a Date of Death on any SSA system.

Comment

We agree with this recommendation. We continue our efforts to identify and implement effective risk-based approaches to detect and correct overpayment errors. Due to the complexity of these manual transactions, we are exploring the use of data analytic techniques and methods to assist us in targeting the areas to ensure effective use of our resources.

Recommendation 2

Enhancing documentation requirements and improve overpayment documentation tools to ensure overpayments are completely, accurately, and timely documented by FOs or Processing Centers (PCs) within the appropriate systems of record.

Comment

We agree with this recommendation. Through our continuous quality initiatives, we will continue to address overpayment documentation issues in our field offices and processing centers. These initiatives will also clarify policies and provide additional targeted training to our employees.

Recommendation 3

Continue to increase management review over manual transactions impacting overpayment balances, including CQ Reviews and PC Inline Reviews.

Comment

We agree with this recommendation. Through our continuous quality initiatives, we will continue to expand our reviews of overpayments in our PCs and enhance our field office review processes to address overpayment accuracy and documentation issues.

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Deficiencies in Overpayment Records and Tracking

Recommendation 1

Evaluating technical enhancements that will address payment plans that extend beyond the Year 2049.

Comment

We agree with this recommendation. In FY 2015, we established an inter-component workgroup to review and address the recommendations made in the *Repayment Plans that Extend beyond the Year 2049 Final Risk and Impact Assessment Report.*

We have dedicated IT resources to explore the development of a new accounts receivable process. We will ensure that any new processes established will prevent this situation from occurring in the future.

Recommendation 2

Continue pursuing changes in repayment policy to minimize future long-term repayment plans.

Comment

We agree with this recommendation. We have prepared a legislative proposal to revise our minimum benefit withholding from $10 to 10 percent of the monthly Title II benefit payment for new repayment plans. We will work with all parties to expedite this legislative change.

Deficiencies in Overpayment Prevention

Recommendation 1

Continue enhancing periodic reconciliations between SSA data which can impact payment amounts in order to detect and act on overpayments more timely.

Comment

We are exploring the use of data analytic techniques and methods to assist us in identifying and reconciling data anomalies that may affect payment amounts.

Significant Deficiency - Redeterminations

Recommendation 1

Enhance training and reminders to claims representatives completing redeterminations in the field offices to ensure that all applicable questions in the redetermination application are answered.

Comment

We agree with this recommendation. In FY 2015, we issued reminders to our field office employees on the proper processing of redeterminations. We also will enhance training and issue appropriate reminders to claims representatives completing redeterminations by the end of the second quarter of FY 2016.

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Recommendation 2

Increase the frequency and scope of management review over redetermination interviews.

Comment

We agree with this recommendation. We will explore options for additional management oversight over the redetermination process.

Recommendation 3

Establish and enforce procedures to ensure that claims representatives encourage beneficiaries to do a thorough review of the redetermination input data.

Comment

We agree with this recommendation. We will work to ensure claims representatives encourage beneficiaries to perform a thorough review of the redetermination input data.

We currently afford beneficiaries the opportunity to review and ask questions about the information recorded during the redetermination, and provide a copy of the redetermination as a receipt for their records.

We have two controls in place that address this concern:

1. We provide a printed redetermination output to beneficiaries to review at the conclusion of the redetermination interview. The claims representative must print this before closing the redetermination. The output shows the information collected and instructs the recipient to let us know if any of the information needs correction or updating; and

2. If there are changes because of a processed redetermination, the system generates notices describing those changes and any rights for administrative review.

Both of these mechanisms allow beneficiaries to confirm whether the employee accurately recorded information during the interview.

Other Information

The *Other Information* section provides information to satisfy additional statutory and Office of Management and Budget reporting requirements.

In accordance with the *Reports Consolidation Act of 2000*, the *IG Statement on SSA's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). OIG also describes the steps we have taken to address each of the challenges.

Next, in *Other Reporting Requirements*, we provide a summary of our financial statement audit and management assurances. We also provide information on our entitlement reviews and OIG's anti-fraud activities, civil monetary penalties, biennial review of user fee charges, actions to comply with the Freeze the Footprint initiative, and debt management activities.

Finally, the *Other Information* section concludes with the *Improper Payments Information Detailed Report*. In this section, we provide general information demonstrating our commitment to reducing improper payments. We also describe our efforts in reducing improper payments for our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income benefit programs and administrative payments.

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2015

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

Management and Performance Challenges

As we planned our audit work for Fiscal Year (FY) 2015, we identified the following seven management and performance challenges.

- Improve the Responsiveness and Oversight of the Hearings Process
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Strengthen Planning, Transparency, and Accountability

To better reflect SSA's challenges with the overall management of the hearings process, we have retitled the challenge *Reduce the Hearings Backlog and Prevent its Recurrence* to *Improve the Responsiveness and Oversight of the Hearings Process*. Also, our previous Statements have discussed the issue of cyber-security under the *Invest in Information Technology Infrastructure to Support Current and Future Workloads* challenge. While we will continue discussing cyber-security under this challenge in the FY 2015 report, we plan to make it a separate challenge titled *Secure Information Systems and Protect Sensitive Data* in FY 2016.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2015 independent auditor's report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

The Office of Audit will continue focusing on these issues in FY 2016 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

Fiscal Year 2015
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges

November 2015

Improve the Responsiveness and Oversight of the Hearings Process

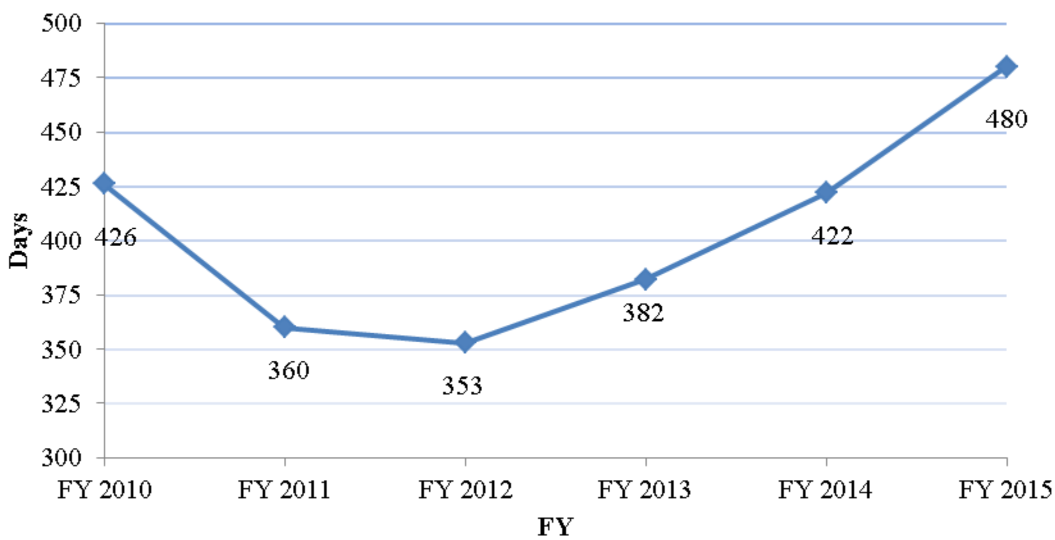
Challenge

While the Social Security Administration (SSA) continues focusing on the quality and consistency of hearing decisions, it is facing worsening average processing times and increasing pending hearings.

Worsening Timeliness and Increasing Pending Cases

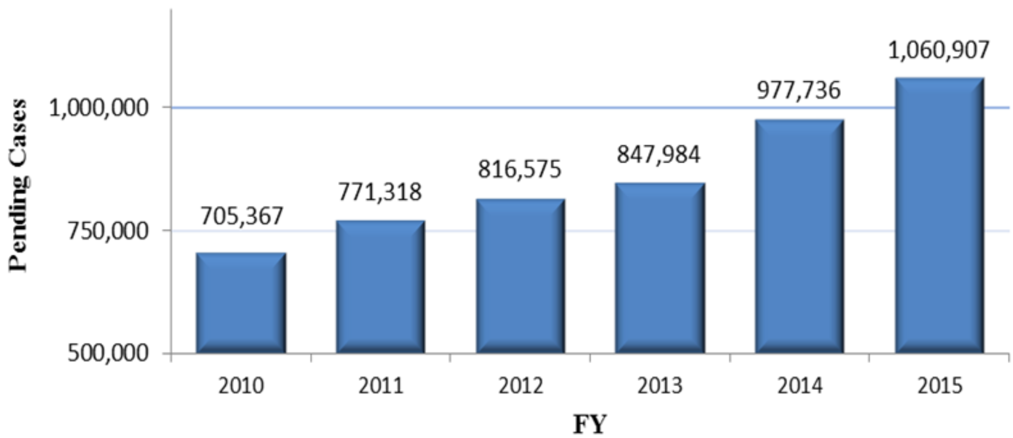
SSA's Fiscal Year (FY) 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions. One part of that disability program, the hearings process, has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased from 426 days in FY 2010 to 480 days in FY 2015 (see Figure 1).

Figure 1: Trend in Average Processing Time (FYs 2010 Through 2015)



In addition, the number of pending hearings grew from about 705,000 cases at the end of FY 2010 to over 1 million cases at the end of FY 2015 (see Figure 2).

Figure 2: Increase in Pending Hearing Cases (FYs 2010 Through 2015)



Note: Pending figures represent the pending level at the end of the FY.

In a September 2015 report on the hearings backlog, we stated SSA had not published a long-term, multi-year strategy to address the growing backlog and worsening timeliness; however, SSA had begun implementing 35 initiatives to address these issues. In a separate September report on hearing office average processing times, we discussed large variances in timeliness among hearing offices. For instance, the Miami Hearing Office had an average processing time that was 300 days longer than the average processing time in the Orange, California Hearing Office.

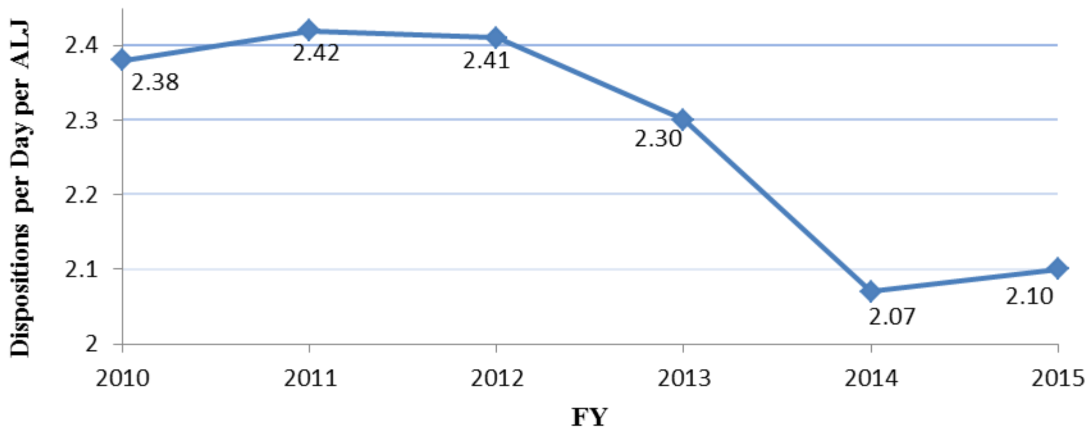
Factors that Affect Timeliness and Increasing Pending Cases

Four factors contributed to the increase in the number of pending claims: (1) an increase in the number of hearing requests, (2) a decrease in the number of available administrative law judges (ALJ), (3) a decrease in ALJ productivity, and (4) a decrease in senior attorney adjudicator decisions.

SSA received about 600,000 hearing requests in FY 2008, over 800,000 hearing requests in each of FYs 2011 through 2014, and about 746,000 hearing requests in FY 2015. Between FYs 2012 and 2015 the number of available ALJs declined about 5 percent. For example, the Agency lost approximately 100 experienced ALJs in each of FYs 2014 and 2015. While the Agency has hired hundreds of new ALJs to increase the number of available ALJs and replace departing ALJs, new ALJs are initially assigned a limited number of cases as they complete their training.

ALJ productivity declined approximately 13 percent between FYs 2012 and 2015 (see Figure 3). Increased Agency emphasis on decisional quality has led to ALJs spending more time on cases. Agency managers also started limiting new case assignments to ALJs to 1,200 cases, annually, in FY 2012 and gradually dropped this cap to 720 cases in FY 2015.

Figure 3: Trends in ALJ Productivity
(FYs 2010 Through 2015)



Note: ALJ productivity represents the number of dispositions per available ALJ per day. Productivity figures represent the productivity for the entire FY.

The Agency has also reduced the number of senior attorney adjudicator decisions due to quality concerns. In FY 2010, senior attorney adjudicators issued 54,200 decisions. In FY 2015, senior attorney adjudicators issued 607 decisions.

ALJ Decisions

In a November 2014 report to the Committee on Oversight and Government Reform, we addressed concerns regarding ALJs who had both high disposition and high allowance rates on their cases. We estimated these ALJs improperly allowed disability benefits on approximately 24,900 cases, resulting in about $2 billion in questionable costs. We recommended SSA (1) incorporate these findings into its existing monitoring and quality review priorities and (2) ensure full medical continuing disability reviews (CDR) are conducted on claimants associated with the higher risk disability cases in our sample.

In another review, we analyzed the effects of regulations requiring that disability adjudicators allow disability claims based on claimants inability to speak English. We recommended that SSA capture the number of beneficiaries awarded benefits based on their inability to communicate in English and evaluate the appropriateness of the grid rules related to an inability to speak English.

Agency Actions

The Agency has been hiring hundreds of new ALJs to increase the number of available ALJs and replace departing ALJs. Specifically, it hired 71 new ALJs in FY 2014 and 202 new ALJs in FY 2015. In August 2011, the Chief ALJ issued a memorandum that outlined specific areas on which ALJs should focus to improve the quality of their decisions. SSA also continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances; monitoring of potential anomalies in ALJ workload performance; and expanding hearing office workload quality measures, such as the “agreement rate” associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

What the Agency Needs To Do

The Agency needs to improve the timeliness of the hearings process by

Publishing long-term goals to improve timeliness and reduce the pending hearings backlog;

Implementing and monitoring the 35 initiatives designed to improve timeliness and reduce the backlog;

Increasing quality decisionmaking and reducing ALJ outlier behavior; and

Focusing resources on capacity issues to better balance processing times and workloads in hearing offices.

Key Related Performance Measures

The key hearings-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Deliver a world-class customer experience by expanding the use of video technology to hold hearings.
- Ensure the quality and consistency of hearing decisions by randomly reviewing a percentage of cases using an inline review process.
- Increase ability to provide timely decisions by focusing on oldest cases first.
- Increase ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days or older.
- Complete the budgeted number of hearing requests.
- Average processing time for hearing decisions.
- Achieve the budgeted goal for hearing case production per workyear.

While some of these measures set desired outcomes, like timely hearing decisions, others measure simple outputs, like the number of hearings completed. Additionally, some of the performance measures appear to measure a desired outcome, like world-class customer experience but actually only measure an output, like the number of hearings conducted by video. While it is possible that the video service will provide a world-class service, just expanding it does not guarantee a world-class experience. Finally, the performance measures only measure part of the time an applicant has waited for a disability decision. An applicant at the hearings level has already incurred the time waiting for an initial decision and, in some cases, a reconsideration decision.

Key Related Links

The Office of the Inspector General (OIG) Report – *Qualifying for Disability Benefits in Puerto Rico Based on an Inability to Speak English* (A-12-13-13062), April 2015.

OIG Report – *Administrative Law Judges with Both High Dispositions and High Allowance Rates* (A-12-14-24092), November 2014.

OIG Report – *The Social Security Administration's Efforts to Eliminate the Hearings Backlog*, (A-12-15-15005), September 2015.

OIG Report – *Hearing Office Average Processing Times*, (A-05-15-50083), September 2015.

Improve the Timeliness and Quality of the Disability Process

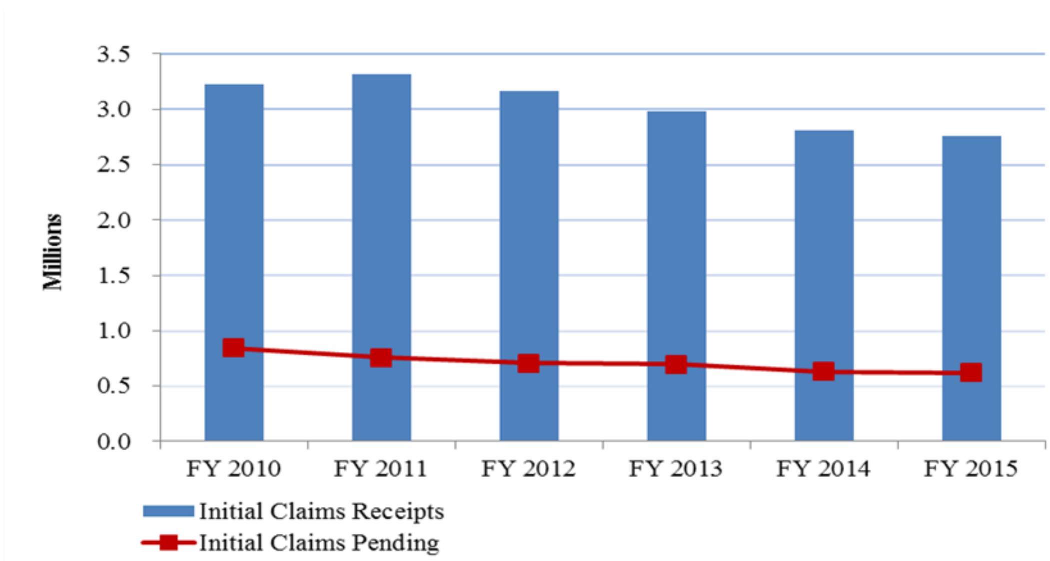
Challenge

SSA needs to address receipt of millions of initial disability and reconsideration claims and backlogs of initial disability claims and CDRs, while also protecting its disability programs from fraud and encouraging beneficiaries to return to work.

Disability Claims Backlog

SSA completed over 2.8 million initial and 757,000 reconsideration disability claims in FY 2014 and more than 2.75 million initial and 723,000 reconsideration claims in FY 2015. While initial claims have declined in recent years, SSA had over 621,000 initial disability claims pending at the end of FY 2015. Similarly, SSA expects to have approximately 628,000 initial disability claims pending at the end of FY 2016.

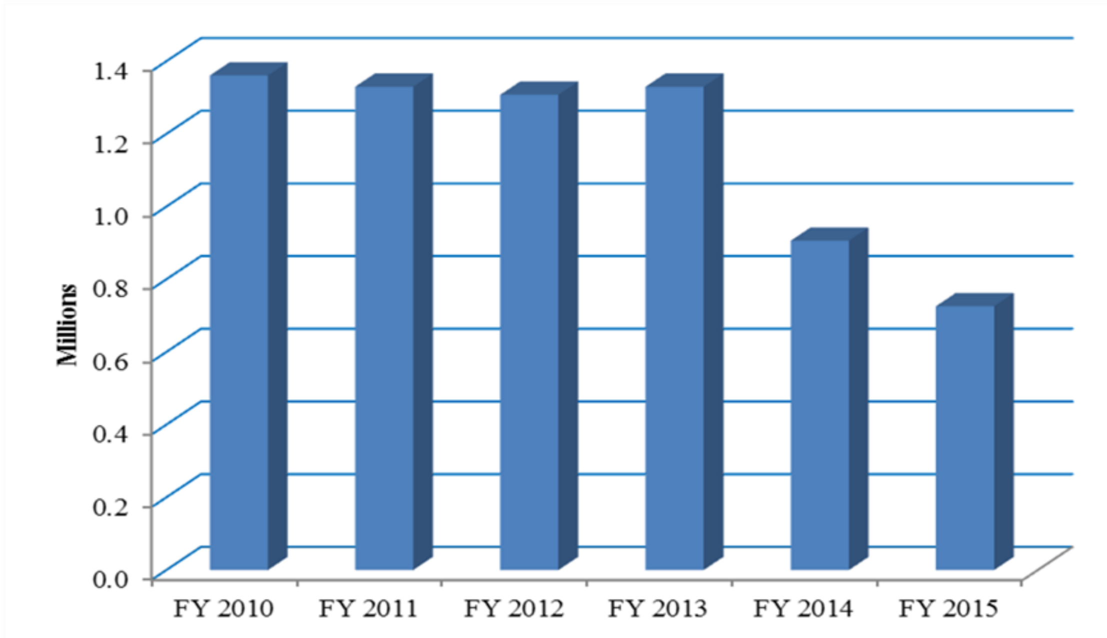
Figure 4: Initial Claims Receipts and Pending



CDR Backlog

According to SSA, at the end of FY 2015, there was a backlog of more than 726,000 full medical CDRs, down from over 906,000 cases backlogged at the end of FY 2014. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. Although SSA increased the number of full medical CDRs completed in recent years, it was still lower than needed to eliminate the backlog. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings.

Figure 5: Full Medical CDR Backlog



Disability Fraud

High-profile fraud schemes in New York, Puerto Rico, and West Virginia highlighted how vulnerable SSA's disability programs are to fraud. In New York, criminal facilitators conspired with disability applicants to feign disabilities and submit disability applications with fabricated and/or exaggerated ailments, which led to many individuals receiving disability benefits to which they were not eligible. Similarly, in Puerto Rico, third-party facilitators conspired with claimants to submit medical documentation that fabricated or exaggerated disabilities. In addition, it was alleged that an ALJ in Huntington, West Virginia, conspired with an attorney to grant favorable decisions to disability claimants who were potentially ineligible for benefits.

The fraud schemes revealed that numerous individuals, with the assistance of the same attorney, claimant representative, or other facilitator, could apply for disability benefits, allege similar physical and/or mental impairments, provide similar fabricated or exaggerated medical documentation certified by a common physician or medical facility, and receive disability benefits. These cases highlighted SSA's lack of the information technology (IT) infrastructure and front-end analytical tools necessary to screen applications for "potential fraud warnings" and review or investigate further before approving. For example, SSA was not systematically flagging a string of disability claims from applicants in the same geographic area with a common claimant representative and similar alleged disabilities. Watchful SSA and disability determination services (DDS) employees caught the patterns in the fraudulent claims in New York and Puerto Rico but not before the Agency approved those claims and made millions of dollars in payments to the beneficiaries.

Return to Work

Historically, less than 1 percent of disabled beneficiaries stops collecting benefit payments because they have returned to work and are no longer eligible. The Ticket to Work and Self-Sufficiency Program was created to assist beneficiaries in returning to work. However, an evaluation of the program concluded that, ". . . rigorous impact analysis failed to provide strong evidence of its impact on employment."

Agency Actions

Disability Case Processing System

The 54 DDSs use various customized systems to process disability cases, and those systems require significant resources to support and maintain. The Disability Case Processing System (DCPS) is a nation-wide SSA initiative to bring greater consistency to DDSs and the disability determination process. SSA conceived of DCPS as a common case processing system for all DDSs that would simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs. While SSA invested more than $344 million in DCPS over more than 7 years, the Agency has not yet fully developed and implemented a system. We will continue evaluating SSA's plans to complete the DCPS project.

Fraud Prevention and Cooperative Disability Investigations

In FY 2014, SSA began a two-phase initiative to develop predictive analytics to detect disability fraud. Phase I, completed in May 2014, used a data analytics platform to identify cases of known fraud. SSA completed Phase II in September 2014. In this second phase, SSA

- applied the predictive model in Phase I to additional data and identified previously unknown, potentially fraudulent claims;
- built a preliminary predictive model to score all disability claims based on the risk for potential fraud; and
- obtained SSA-specific recommendations from an independent analysis for changes to SSA's anti-fraud program, creating a centralized anti-fraud program management office.

SSA also established Fraud Prevention Units composed of disability examiners dedicated to reviewing and acting on potential fraud cases. In FY 2014, SSA established three Fraud Prevention Units in New York, San Francisco, and Kansas City.

The Cooperative Disability Investigations (CDI) program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the OIG, SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2015, the CDI program had 36 units in 31 States and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception through September 2015, CDI program efforts nationwide have resulted in $3.2 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.1 billion to non-SSA programs. In FY 2015 alone, CDI program efforts nationwide resulted in $406.1 million in projected savings to SSA's OASDI and SSI disability programs and $291.1 million to non-SSA programs.

Return to Work

To increase the numbers of beneficiaries returning to work, SSA acknowledged it must create clear, consistent employment incentives. To that end, it continued

- looking for ways to simplify work incentives and minimize improper payments due to earnings;
- strengthening its employment support programs, including the Ticket to Work Program, and
- providing help for beneficiaries who want to work through the Work Incentive Planning and Assistance program.

What the Agency Needs To Do

Continue focusing on reducing the initial disability claims and CDR backlogs. While the Agency made progress in lowering the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Ensure DCPS is back on track to modernize the technology infrastructure that supports disability case processing nationwide.

Develop the tools and systems needed to properly store and analyze disability applications and claims to ensure payment integrity and protect the disability program against fraud.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Key Related Performance Measures

The key disability-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Minimize the average response time to deliver medical evidence to the Department of Veterans Affairs for wounded warriors and veterans.
- Complete the budgeted number of full medical CDRs.
- Expedite cases for the most severely disabled individuals by achieving the target percentage of initial disability cases identified as Quick Disability Determinations or Compassionate Allowances.
- Ensure the quality of decisions by achieving the DDS decisional accuracy rate for initial disability decisions.
- Complete the budgeted number of initial disability claims.
- Complete the budgeted number of disability reconsideration claims.
- Achieve the target number of disability reconsiderations pending.
- Achieve the target number of initial disability claims pending.
- Average processing time for initial disability claims.
- Average processing time for reconsiderations.
- Achieve the budgeted goal for DDS case production per workyear.
- Improve the disability determination process by increasing the percentage of initial disability claims with health information.
- Achieve the target number of beneficiaries participating in the Ticket to Work Program who begin earning above a certain level.
- Increase the number of beneficiaries returning to work by achieving the target number of Social Security Disability Insurance and SSI disability beneficiaries with Tickets assigned and in use who work above a certain level.

Some of the performance measures measure desired outcomes, like timely disability claim decisions. However, others measure outputs, like the number of disability claims completed. Additionally, some of the performance measures appear to measure a desired outcome but only measure an output. For example, one performance measure appears to measure the outcome of an improved determination process but only measures the number of cases with IT medical evidence. A better performance measure would measure whether SSA processed cases with IT medical evidence more timely or accurately than cases without IT medical evidence.

Key Related Links

SSA Report – *The Social Security Administration's Anti-fraud Activities for Fiscal Year 2014*, December 2014.

OIG Report – *The Social Security Administration's Completion of Program Integrity Workloads* (A-07-14-24071), August 2014.

OIG Report – *The Social Security Administration's Ability to Prevent and Detect Disability Fraud*, September 2014.

OIG Report – *The Social Security Administration's Disability Case Processing System* (A-14-15-15016), November 2014.

Mathematica Report – *Executive Summary of the Seventh Ticket to Work Evaluation Report*, July 2013.

Reduce Improper Payments and Increase Overpayment Recoveries

Challenge

SSA is responsible for issuing over $900 billion in benefit payments, annually, to about 60 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

SSA is one of several Federal agencies that have a high amount of improper payments. In FY 2014, the last FY for which data were available, SSA reported about $9.8 billion in over- or underpayments and incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to the requirements in Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) (Pub. L. No. 111-204), and *the Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) (Publ. L. No. 112-248).

Improper Payment Rates

Workers, employers, and taxpayers who fund SSA's programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2014,

- the OASDI overpayment error was $4.6 billion or 0.5 percent of program outlays, and the underpayment error was $472 million or 0.05 percent of program outlays; and
- the SSI overpayment error was $3.9 billion or 7 percent of program outlays, and the underpayment error was $840 million or 1.5 percent of program outlays.

For FYs 2015 through 2017, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and for SSI, the Agency's goal was to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

The Agency only met one of its payment accuracy targets in the last 5 years (see Table 1).

Table 1: Rates and Targets for Payments Without Overpayments FYs 2010 to 2014

FY	2010		2011		2012		2013		2014	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	93.35	99.61	92.66	99.68	93.66	99.78	92.43	99.78	93.05	99.47
Target	91.60	99.80	93.30	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	**Yes**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**

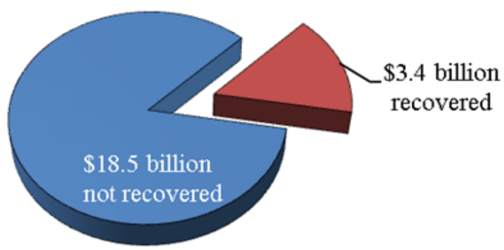
Executive Order 13520, IPERA, and IPERIA

In November 2009, the President issued Executive Order 13520 on reducing improper payments. IPERA and IPERIA were enacted in July 2010 and January 2013, respectively, to refine steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. The Office of Management and Budget designated SSA's programs as high-risk.

Overpayment Recoveries

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2015, it recovered $3.4 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of $18.5 billion (see Figure 6).

Figure 6: Overpayments Recovered - FY 2015



Agency Actions

Improper Payment Causes

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. SSA developed a statistical model that predicts the likelihood of beneficiaries' being at risk of receiving large earnings-related overpayments and implemented it nationwide in June 2013.

A major cause of improper payments in the SSI program is recipients' failure to accurately and timely report new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that placed recipients over the SSI resource limit.

Debt Collection Tools

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal salary offset.

CDRs

The CDR is a tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $9 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries' and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report their personal financial situations.

Accurately calculate overpayments and reconcile data between systems to detect discrepancies, which could lead to payment errors.

Key Related Performance Measures

The key improper payment related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Reduce the percentage of improper payments made under the SSI program.
- Maintain the low percentage of improper payments made under the OASDI program.
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of SSI non-medical redeterminations.

These performance measures primarily measure the desired outcome of paying beneficiaries and recipients accurately. However, the latter two metrics measure outputs. The desired outcome of CDRs and redeterminations is not their completion. The performance measures should measure what SSA hopes to gain by completing these workloads.

Key Related Links

Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014.

Federal Payment Accuracy Website - http://www.paymentaccuracy.usaspending.gov.

OIG Report –*Overpayments in the Social Security Administration's Disability Programs-A 10-Year Study* (A-01-14-24114), June 2015.

OIG Report – *Overpayment Waiver Requests Processed by Field Offices in Fiscal Years 2012 and 2013* (A-07-15-35031), July 2015.

OIG Report - *Cost-benefit Analysis of Processing Low-dollar Overpayments* (A-07-14-14065), July 2015.

OIG Report - *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2014 Agency Financial Report* (A-15-15-50007), May 2015.

Improve Customer Service

Challenge

SSA faces several challenges, such as increasing workloads and representative payee oversight, as it pursues its mission to deliver services that meet the public's changing needs.

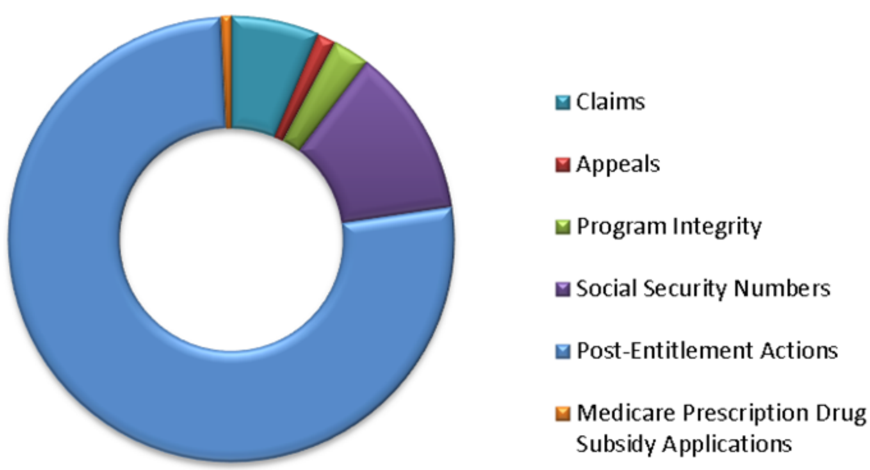
Increased Workload with Reduced Staff

SSA stated that the population aged 65 and older will grow by more than 18 million from 2015 to 2025, and an additional 8 million by 2030, thereby dramatically increasing the demand for its services. In FY 2015, SSA received approximately 5 million retirement, survivors, and Medicare applications; completed 2.7 million initial disability claims; and completed over 663,000 requests for hearings.

In addition to these workloads, in FY 2015, SSA

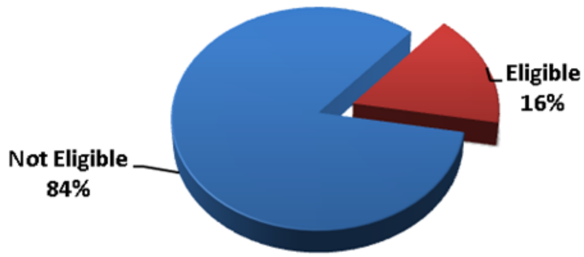
- completed 723,000 reconsiderations and 150,000 Appeals Council requests for review;
- issued over 17 million new and replacement Social Security number (SSN) cards;
- posted over 275 million earnings items to workers' records;
- handled nearly 37 million calls to its national 800-Number;
- assisted 41 million visitors in field offices; and
- mailed nearly 350 million notices.

Figure 7: FY 2015 SSA Estimated Workload



SSA faces a challenge of losing its institutional knowledge because of steady losses of employees through retirement. As of August 2015, approximately 16 percent of SSA employees was eligible for retirement. SSA estimates that 28 percent of its permanent employees will be eligible to retire by 2020, and their retirement could result in various mission-critical skills gaps.

Figure 8: SSA Employees Eligible for Optional Retirement (as of August 2015)



In its February 2015 High-Risk Series report, the Government Accountability Office noted that agencies had taken important steps to better position the Government to close current and emerging critical skills gaps, but agencies will need to implement specific strategies and evaluate their results to demonstrate progress on addressing critical skill gaps. SSA recognizes that identifying and reducing skill gaps at all organizational levels are important to the Agency.

Customer Service Expectations

The dramatic increase in mobile and broadband Internet access is driving public expectation for instantaneous service through multiple delivery channels. Rapid advances in technology introduce new opportunities for service delivery as well as requiring that SSA remain vigilant about potential security and fraud vulnerabilities. Furthermore, customers who seek benefits from SSA also interact with other agencies and private organizations. SSA acknowledges it could improve its customer service through partnerships with these organizations to learn from each other, share data, and develop processes that help customers access services more quickly and easily.

Representative Payment Program

SSA appoints representative payees to manage the benefits of incapable beneficiaries and recipients because of their age or mental or physical impairment. SSA acknowledges that representative payees play a significant role in many beneficiaries' lives, and it consistently explores ways to better identify, screen, and appoint representative payees. In January 2015, SSA reported that approximately 6 million representative payees were managing about $76.8 billion in payments for 8.7 million beneficiaries and recipients. SSA continues finding problems with representative payees who improperly use and account for beneficiaries' payments during their reviews. Likewise, our audits continue to find problems with SSA's Representative Payment Program. Our recent reviews have found

- terminated or non-selected representative payees received approximately $367 million in benefits payable for 13,539 beneficiaries because SSA did not remove them from the beneficiaries' records, and
- about 2,550 deceased representative payees received approximately $46.8 million in OASDI benefits and SSI payments because the Agency did not ensure new representative payees were selected when current representative payees died.

Agency Actions

SSA developed a long-term vision, expanded the use of online services, improved telephone services, continued video services expansion, and improved the Representative Payment Program to improve customer service.

Vision 2025

In April 2015, SSA released its *Vision 2025* publication, which states where SSA would like to be in 10 years with its workforce, technology, and customer service. *Vision 2025* identifies three priorities: a superior customer experience, exceptional employees, and an innovative organization to guide its service delivery efforts today and in the future. SSA has developed milestones in its revised FY 2014 – 2018 Agency Strategic Plan that support *Vision 2025* goals.

When asked whether *Vision 2025* will lead to the closing of field offices, SSA's Acting Commissioner stated, ". . . we are fully committed – now and in the future – to sustaining a field office structure that provides face-to-face service and is responsive to members of the public who need or prefer it." In November 2013, SSA implemented a new process for evaluating field offices to ensure service delivery is consistent with the needs of the areas served. Service Area Reviews help SSA determine whether it should upgrade, downgrade, or consolidate field offices or make no changes. We reviewed this new process and found that, in general, it resulted in consistent documentation of SSA's field office evaluations.

Online Services

One of SSA's goals is to provide high quality and timely services while offering customers the convenience of interacting with it from anywhere. In FY 2014, SSA launched its Social Security Express initiatives that provide access to SSA's online services, including *my* Social Security, in its field offices and external locations, such as libraries, senior centers, and Federal agencies.

SSA continues leveraging the *my* Social Security online portal. *My* Social Security hosts 17 million visits per month and enables Social Security disability beneficiaries and SSI recipients to access their benefit verification letters, payment histories, and earnings records instantly. SSA reported it is working on a new SMART claim feature that will allow customers to file a claim for retirement, disability, and Medicare benefits using a single *my* Social Security application by the end of FY 2016. In addition, SSA initiated two marketing campaigns to increase customer awareness of SSA's online services and their benefits.

In November 2012, SSA introduced the Direct Deposit Auto-Enrollment Fraud Prevention block to prevent beneficiaries from unauthorized account changes and, in August 2013, the Agency updated the block to prevent direct deposit and address changes requested through the *my* Social Security Website. We reviewed approximately 38,000 beneficiaries with Direct Deposit Auto-Enrollment Fraud Prevention blocks on their accounts. We found that it worked as intended and reduced the risk of direct deposit fraud for those who used the block.

Telephone Services

According to SSA, it has fully implemented its National 800-number to a more modern infrastructure that will help improve telephone service to the American public. The enhancements to the new infrastructure improve the speech-recognition technology, enabling callers to complete their business using automated services. SSA expects the wait time will decrease to under 10 minutes by the end of FY 2016.

Video Services

SSA continues expanding its video services for individuals who live in areas with limited public transportation or have difficulty getting to a field office. Video services enable SSA to provide service to people at hospitals, libraries, community centers, American Indian Tribal centers, and homeless shelters. Video services also reduce travel costs and lost work hours. As an example of its expansion of video services, SSA reported it installed 160 new video units and replaced 262 older units in FY 2015 to allow for the use of video for hearings.

Representative Payment Program

SSA identified 29 cases of misuse during its reviews of representative payees and removed 29 representative payees because of their poor performance. SSA is also seeking ways to improve its Representative Payment Program. SSA stated it is refining its monitoring program to identify and target potential areas of concern for in-depth review. In addition, SSA is contracting with the Institute of Medicine to help it identify ways of streamlining the process for determining whether a beneficiary needs a representative payee and partnering with other agencies to determine the potential for collaboration on representative payee activities.

What the Agency Needs To Do

Implement and evaluate its long-term vision on how it plans to provide service, given the current and anticipated changes to the workload, staffing needs, technology, and customer service expectations.

Continue to strengthen its controls for administering the Representative Payment Program, including selecting and monitoring payees.

Key Related Performance Measures

The key customer service performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Achieve the target speed in answering national 800-number calls.
- Achieve the target busy rate for national 800-number calls.
- Maintain high customer satisfaction with online services.
- Improve access to services by increasing the number of citizens who complete their business online.

While the first three performance measures listed measure a desired outcome of timely service or high customer satisfaction, the last measure listed does not. It appears to measure greater access to personalized information, but it really measures the output of the number of transactions processed through *my* Social Security. Increasing the number of transactions through *my* Social Security accounts does not equate with greater access to personalized information as customers may find the accounts unhelpful or hard to use and choose not to use them. A more meaningful performance metric would measure the customer satisfaction with *my* Social Security or the benefit to SSA of providing its customers with online access to personalized information.

Key Related Links

OIG Report – *Payments to Terminated or Non-Selected Representative Payees* (A-09-13-23071), February 2015.

OIG Report – *Direct Deposit Auto-Enrollment Fraud Prevention Block* (A-06-14-14042), April 2015.

OIG Report – *The Social Security Administration's Field Office Consolidation Decision Process* (A-07-15-25027), May 2015.

OIG Report – *Deceased Representative Payees* (A-01-14-34112), June 2015.

Government Accountability Office Report – *Report to Congressional Committees, High-Risk Series (An Update)* (GAO-15-290), February 2015.

SSA's *Vision 2025.*

SSA's *Agency Strategic Plan Fiscal Years 2014-2018*.

SSA's *Annual Performance Plan for Fiscal Year 2016, Revised Performance Plan for Fiscal Year 2015, and Annual Performance Report for FY 2014*.

SSA's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2014*.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Challenge

Federal agencies must ensure they wisely invest their scarce resources. SSA faces the challenge of determining how best to use technology to accomplish its mission within its budget and resource constraints, while ensuring its information systems are secure and sensitive data are protected.

Cyber-security

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Recent breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have concluded that the risk and severity of SSA's information security weaknesses identified constituted a significant deficiency under the *Federal Information Security Management Act of 2002* (Pub. L. No. 107-347). Those security deficiencies, when aggregated, created a weakness in SSA's overall information systems security program that the auditors concluded significantly compromised the security of the Agency's information and information systems. Additionally, other recent audits and evaluations have identified serious concerns with SSA's information security program.

To address ever-increasing security challenges, it is crucial that SSA implement a well-designed, continuous monitoring strategy to monitor and assess security controls. SSA has issued its *Continuous Monitoring Strategy* but is still implementing it. The Office of Management and Budget and National Institute of Standards and Technology require near real-time, continuous monitoring for risk management and risk-based decisionmaking.

IT Physical Infrastructure

One of SSA's major IT investments in recent years has been replacing its existing National Computer Center (NCC). The NCC has been in continuous operation as a data center since it opened in 1980 and, while its computing capacity has been expanded over the years, increasing workloads and expanding telecommunication services severely strained its ability to support the Agency's business. SSA received $500 million from the *American Recovery and Reinvestment Act* to replace the NCC with a new National Support Center (NSC). SSA must diligently monitor migration activities to ensure a successful transition from the NCC to the new NSC.

Development and Implementation of Secure Electronic Services

According to SSA, in FY 2015, the Agency's field offices saw about 40 million visitors, and it handled over 37 million calls to its national 800-number. To support its increasing workloads, SSA has developed and implemented over 30 electronic services to the public, businesses, and other government agencies. With these expanded services, SSA reported it processed more than 85 million transactions online in FY 2015.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to rapidly expand the services available under its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

The Agency is developing an application to permit certain individuals to request replacement SSN cards online. In 2015, we evaluated SSA's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project and identified some concerns with the mitigating controls SSA plans to use for the application.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue to receive fraud allegations related to *my* Social Security accounts.

Implementation of Major IT Projects

SSA faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget.

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA plans to develop DCPS, which, once implemented, will be used by all DDSs. However, despite investing more than $344 million in DCPS over 7 years, SSA has not fully developed and implemented a system. The project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we evaluated the DCPS project in FY 2015. Our November 2014 report recommended that SSA suspend the development of certain custom-built components of DCPS until the Agency evaluated and determined whether off-the-shelf or modernized SSA-owned software are viable alternatives. In May 2015, we initiated a review to examine SSA's efforts to evaluate those alternatives.

In May 2015, we issued a report with our observations and recommendations for DCPS. In that review, we found that previous Beta versions of DCPS had significant functionality limitations. Those limitations caused delays in processing and required that the DDSs develop various "workarounds" to process claims through the system. DDS personnel expressed many concerns with the efficiency and effectiveness of the rollout as well as SSA management's communication with users.

Agency Actions

Cyber-security

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. One of the Agency's goals is to ensure its IT services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen it cyber-security program.

In FY 2015, SSA continued to address the significant deficiencies in information security. In addition, partially in cooperating with the Federal Cybersecurity Sprint efforts, SSA implemented additional policies and procedures. This included, but was not limited to, strengthening access controls and management of privileged accounts, prioritizing critical data inventory, and expanding penetration testing.

SSA also plans to revise and enhance other information security policies and procedures. For example, to better control systems access for employees and contractors, SSA had planned to manage access requests through a new automated system by the end of September 2015 but now expects to do so by the end of the Calendar Year 2015.

Two-factor authentication (for example, using a physical badge and password) methods make it harder for unauthorized individuals to access SSA's network and systems and better protect sensitive data. By the end of 2015, SSA plans to prevent employees and contractors from logging onto its internal network without their badges.

IT Physical Infrastructure

SSA has taken steps to address its IT infrastructure challenge and the NCC's sustainability through 2016. For example, SSA provides technical experts regular tours of the facility to identify needed repairs or future replacement projects.

The General Services Administration managed construction of the new NSC, which was completed in September 2014. In 2015, we evaluated SSA's efforts to transition its NCC operations to the Agency's new NSC. While we did not identify any significant issues that threatened the Agency's ability to complete the migration as planned, we believe SSA must continue diligently monitoring migration activities and taking appropriate action when issues arise that put the project at risk. We also believe SSA should inform stakeholders if it determines key milestones will not be met.

The Agency plans to finish migrating its systems from the existing NCC to the new NSC by August 2016 and close out the project by September 2016. We will continue monitoring SSA's progress in migrating to the NSC and plan to issue another report in FY 2016.

Development and Implementation of Secure Electronic Services

In FY 2014, SSA implemented fraud prevention enhancements to secure *my* Social Security transactions, including applications for benefits and changes of address and direct deposit. SSA continued its outreach activities to promote the *my* Social Security portal. The Agency held a National *my* Social Security Week campaign and various other activities, such as sign-up events, special radio and social media advertisements, press events, and local office activities encouraging the public to use its online services.

Implementation of Major IT Projects

SSA has taken steps to get the DCPS project on track and ensure its successful completion. In March 2014, SSA contracted with an external firm to conduct an independent analysis of the DCPS project, and, in FY 2015, the Agency continued to evaluate and implement the firm's recommendations. Through a dedicated Chief Program Office, the Agency has increased user engagement and is identifying core functionality requirements—common to all DDSs—that will be used to develop the system.

What the Agency Needs To Do

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

Ensure successful transition of its IT operations to the NSC and maintain responsive, reliable system performance.

Ensure the electronic services the Agency provides are secure.

Ensure the Agency's IT planning and investment control processes are effective.

Key Related Performance Measures

The key IT related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Improve access to services by increasing the number of citizens who complete their business online.
- Maintain high customer satisfaction with online services.
- Provide the public with access to personalized information by increasing the number of established *my* Social Security accounts.
- Provide uninterrupted access to systems during scheduled times of operation.
- Ensure the continuity of operations by transitioning IT production functions to the NSC by FY 2016.
- Enhance systems performance and reliability by upgrading the telecommunications infrastructure.
- Maintain reliable IT services by continually assessing business and infrastructure applications to identify those that are high risk and determine strategies to renovate, replace, or retire them.
- Explore the use of emerging technologies by establishing a testing lab to promote research and development of innovative technology solutions that provide more effective and flexible ways for the public to conduct business online and for employees to complete their work.
- Provide secure and effective services to the public by improving cyber-security performance.

Most of the performance measures measure outputs. For example, the last performance measure is worded to measure the outcome of secure services but only measures the output of implementing systematic controls. To measure the desired outcome of the systematic controls, SSA should measure whether the controls prevent outside infiltrations of SSA systems.

Key Related Links

OIG Report – *The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2014* (A-14-14-24083), October 2014.

OIG Report - *The Social Security Administration's Financial Report for Fiscal Year 2014* (A-15-14-14084), November 2014.

OIG Report - *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-14-14-24130), May 2015.

OIG Report – *Progress Report on the Social Security Administration's National Support Center* (A-14-15-15006), August 2015.

OIG Report – *Observations and Recommendations for the Disability Case Processing System* (A-14-15-50008), May 2015.

OIG Report – *The Social Security Administration's Disability Case Processing System* (A-14-15-15016), November 2014.

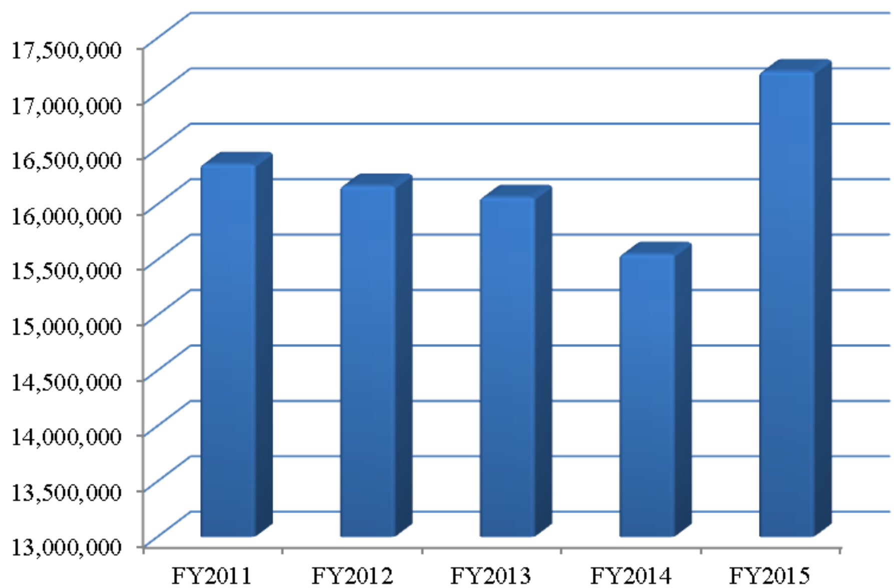
Strengthen the Integrity and Protection of the Social Security Number

Challenge

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.

As shown in Figure 9, SSA issued over 17 million original and replacement SSN cards in FY 2015. In addition, the Agency received and processed about 275 million wage items in FY 2015. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Figure 9: Original and Replacement SSN Cards Issued



SSN Use

The SSN is heavily relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. For these reasons, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN Misuse

While SSA has improved its enumeration process, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes. For example, some educational institutions unnecessarily collect and use SSNs as a primary student identifier. A March 2015 study revealed that 12.7 million consumers were victims of identity fraud in 2014. Two-thirds of these victims had received a data breach notification in the same year.

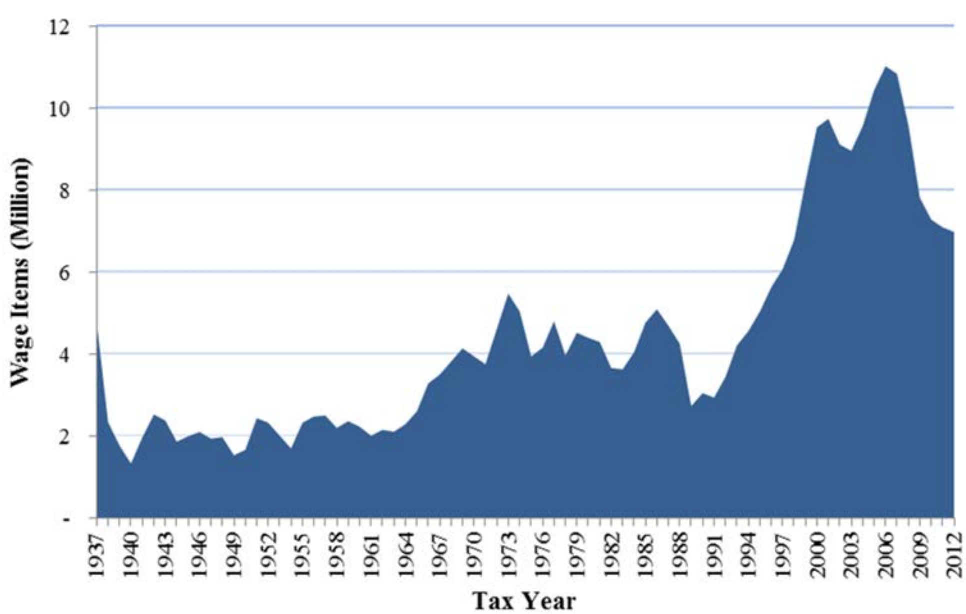
We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. In addition, recent audit work determined that over 6 million numberholders age 112 or older had no death information on their Numident records. The accuracy and completeness of death information is critical because Federal benefit paying entities, the Department of Homeland Security, the Internal Revenue Service, State and local governments, and private industry customers rely on the Death Master File to detect unreported deaths and prevent fraud.

Earnings

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.2 trillion in wages and 333 million wage items for Tax Years 1937 through 2012. In Tax Year 2012 alone, SSA posted 6.9 million wage items, representing $71 billion, to the ESF. From Tax Years 2003 to 2012, the ESF grew by approximately $749 billion in wages and 90 million wage items, representing about two-thirds of the total wages in the ESF and one-third of the total wage items.

Figure 10: ESF Suspended W-2s (1937 to 2012)



Agency Actions

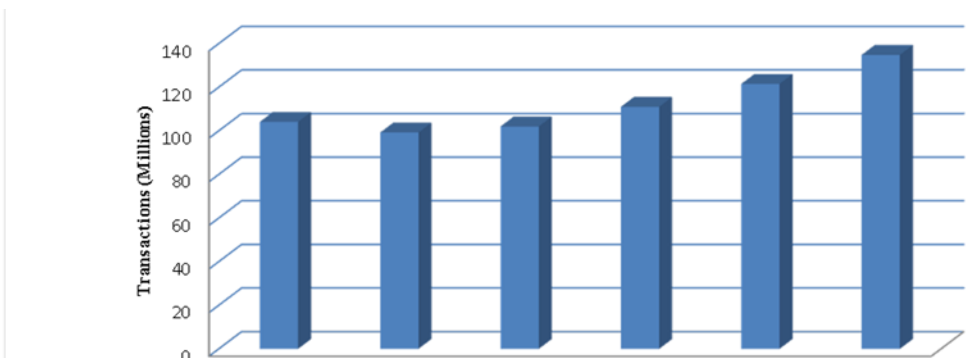
SSA has taken steps to streamline its enumeration process. For example, SSA is developing an Internet-based Social Security Number Replacement Card application. This will allow SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. While we believe this initiative may enhance customer service, SSA must ensure it takes all necessary steps to minimize the risk of individuals fraudulently obtaining an SSN replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have a Social Security card, he/she will need to request a replacement by completing an *Application for a Social Security Card* (Form SS-5) and providing the required documentation.

Social Security Number Verification Service

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify the names and SSNs of their employees using the Agency's Social Security Number Verification Service (SSNVS), which is an online verification program, before reporting wages to SSA. In FY 2015, approximately 34,000 employers were registered to use the service and the service was used to check over 134 million SSNs.

Figure 11: SSNVS Verifications FYs 2010 Through 2015

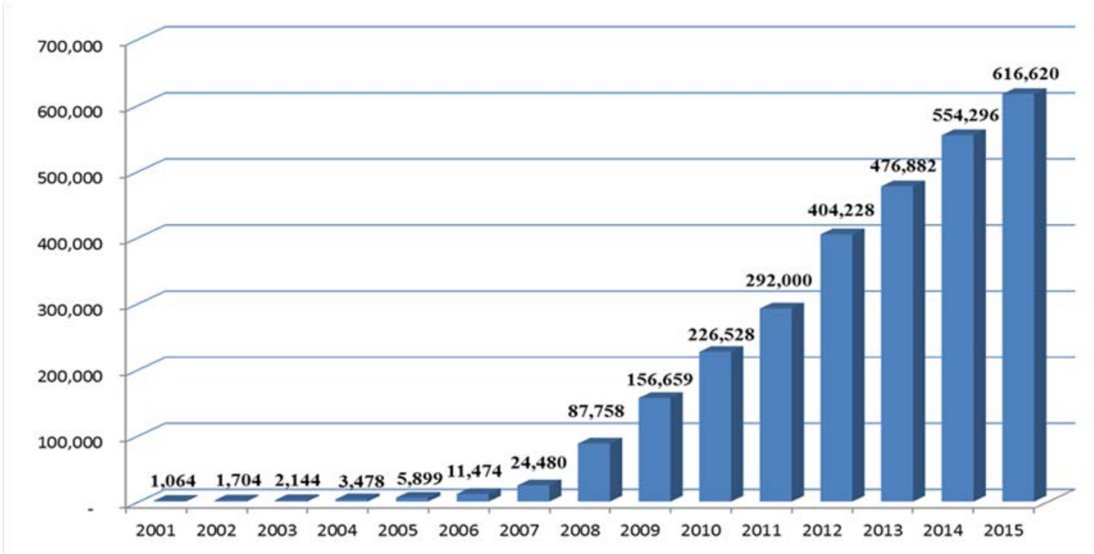


Fiscal Year	2010	2011	2012	2013	2014	2015
Transactions (Millions)	104.1	99.2	102	111	121.5	134.8
Employers	39,471	41,775	40,702	47,114	36,712	34,496
Mismatch Rate	5.94	3.77	3.38	4.28	5.6	6.3

E-Verify

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, over 616,000 employers have enrolled to use E-Verify, and, since its inception in 2001, E-Verify's enrollment has steadily increased. In FY 2015, employers submitted more than 31.6 million queries.

Figure 12: Enrollment in E-Verify



WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in protecting SSNs. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

Take steps to ensure the accuracy and completeness of the Death Master File.

Ensure any electronic applications related to SSN card issuance offered through *my* Social Security include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of the Agency's employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

Key Related Performance Measures

The key SSN-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Expand the services available under *my* Social Security by implementing an online Social Security Number Replacement Card application.
- Redesign the earnings system to improve the accuracy and timeliness of the earnings data used to calculate benefits.

The first bullet measures the output of developing and testing an online SSN replacement card application. Given the investment needed to create an online SSN replacement card option, it should improve services and a performance measure should measure that improvement, like increased timeliness, accuracy, or customer satisfaction. The second bullet appears to measure the outcome of more accurate and timely earnings data and benefit calculations, but it only measures the output of a redesigned system. SSA should measure the outcome of the redesigned system, such as improved accuracy or timeliness of earnings data.

Key Related Links

OIG Report – *Status of the Earnings Suspense File* (A-03-15-50058), September 2015.

OIG Report – *Access Controls over the Business Services Online (Limited Distribution),* (A-03-15-13015), June 2014.

OIG Report – *Improper Use of Children's Social Security Numbers* (A-03-12-21269), March 2014.

OIG Report – *Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident* (A-06-14-34030), March 2015.

OIG Report – *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-14-14-24130), May 2015.

OIG Report – *Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-08-14-24096), July 2014.

OIG Report – *Potential Misuse of Foster Children's Social Security Numbers* (A-08-12-11253), September 2013.

OIG Report – *Noncitizens Issued Multiple Social Security Numbers* (A-06-10-20155), December 2012.

Inspector General Testimony – *Hearing on Social Security's Death Records*, February 2012.

OIG Report – *Controls for Issuing Social Security Number Printouts* (A-04-11-11105), December 2011.

OIG Report – *Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers* (A-08-10-11057), July 2010.

Strengthen Planning, Transparency, and Accountability

Challenge

Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

Planning

In the past, the Agency developed multiple-year strategic plans, which included general descriptions of the programs, processes, and resources needed to meet its mission and strategic objectives. SSA has also produced other strategic plans, like the Information Resources Management Strategic and Human Capital Operating Plans, which covered periods of only a few years. While planning for the next few years is important, a longer term vision is critical to ensuring the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

Transparency

While the Agency has many performance measures and goals on which it publicly reports, we have questioned the usefulness of some of the measures and goals. We have recommended that SSA develop more outcome-based performance measures and goals, including performance targets based on SSA's long-term outcomes instead of annual budgets.

This document lists SSA's FY 2015 key performance measures. Similar to our previous comments on the Agency's metrics, SSA's FY 2015 performance measures could be more outcome-based. While many appear to measure outcomes because of the manner in which they are worded, they still mostly measure outputs. For example, one performance measure, *Enhance Our Security Features and Business Processes to Prevent and Detect Fraud,* appears to measure the prevention and detection of fraud. However, the data definition for the measure reveals that SSA is only measuring public fraud referrals. While fraud referrals may help detect and prevent fraud, the fraud referrals are steps in the process, not the desired outcome. The fraud referrals could be erroneous reports of fraud that SSA spends its resources investigating without achieving what it intended to achieve. SSA should measure the percentage of referrals that actually detect or prevent fraud to show the true outcome of the process being implemented. Measuring outputs, or steps in a process, does not inform the public whether SSA is managing towards the outcomes it needs to efficiently and effectively provide its services and meet its mission.

Accountability

Independent Auditor's Report

The FY 2015 *Independent Auditor's Report* contained three significant deficiencies in internal control (the full text of the report can be found in SSA's FY 2015 *Agency Financial Report*).

The auditor identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording, and prevention of overpayments. Specifically, the auditor noted calculation errors in 24 percent of the overpayment items selected in a statistical sample. In addition, SSA has a systems limitation where overpayment installments extending past the year 2049 are not tracked and reported. Further, SSA was not reconciling data between systems to detect discrepancies, which could lead to overpayment errors.

The auditor identified deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to redeterminations. Testing identified instances where redetermination interviewers did not comply with established controls policies, and results were not appropriately recorded.

The auditor identified information system control deficiencies in four areas that, when aggregated, were considered to be a significant deficiency over information systems controls. The areas included

- Threat and Vulnerability Management;
- Information Technology Oversight and Governance;
- Change Management; and
- Access Controls.

SSA's Anti-Fraud Programs

SSA is under increased scrutiny after a number of highly publicized cases of fraud became the subject of congressional hearings. We hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Agency Actions

At Congress' request, SSA contracted with the National Academy of Public Administration to develop a vision and high-level strategic plan aimed at helping the Agency address the continuing service delivery challenges it may face. SSA used the Academy's report and additional stakeholder input to develop its *Vision 2025*, which it released in FY 2015. Per SSA, *Vision 2025* is a critical first step in planning how it will serve the public in the future. Per *Vision 2025*, SSA's Chief Strategic Officer will work with Agency leaders to identify critical milestones for its future strategic plans, which the Agency will use to help create the strategic roadmap for the next 10 years.

We are concerned that *Vision 2025* itself does not include the critical milestones and strategic roadmap needed to steer the Agency toward the organization of the future. In a letter to the Acting Commissioner of Social Security, the Chairman of the Social Security Subcommittee, concluded that *Vision 2025* lacked sufficient detail and did not include any specific goals to guide SSA when it attempts to implement the vision.

The Acting Commissioner has made addressing the internal control significant deficiencies a priority. Specifically, SSA has changed how it monitors discrepancies or inaccuracies in benefit payments. Also, SSA has taken a number of steps to increase its anti-fraud activities. For example, in November 2014, it established the Office of Anti-Fraud Programs to efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse in its programs. SSA also has fraud prosecutors who work with offices of the U.S. Attorney to bring Federal criminal charges against individuals who defraud Social Security programs.

What the Agency Needs To Do

SSA needs to develop and effectively implement long-range goals and a strategic roadmap to achieve those goals. While SSA developed its *Vision 2025*, it does not provide clear goals for the Agency or define the steps needed to achieve the vision. Also, SSA should develop performance measures that address its long-term outcomes.

The Agency needs to address its three internal control significant deficiencies.

SSA needs to be more proactive in addressing and mitigating new fraud schemes and improve the design and operating effectiveness of anti-fraud measures.

Key Related Agency Performance Measures

The key planning, transparency, and accountability related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Evaluate the Agency's physical footprint as described in its Office of Management and Budget-approved *Real Property Cost Savings and Innovation Plan*.
- Maintain the target veteran and disabled veteran new hire percentage to improve their representation in SSA's workforce.
- Achieve the target on-board representation of employees with targeted disabilities.
- Maintain status as one of the Top Best Places to Work among large agencies in the Federal Government.
- Increase workplace flexibilities by expanding telework participation among employees.
- Enhance security features and business processes to prevent and detect fraud.
- Improve talent management to strengthen the competence of SSA's workforce.
- Achieve target number of human capital metrics to ensure progress toward building a model workforce.

The desired outcomes for some of these performance measures are not clear. For example, SSA includes the evaluation of its physical footprint as one performance measure. It is not clear what SSA hopes to gain from this evaluation. Without knowing what is to be gained by the activity, it is hard to determine its value. Also, it is hard to determine what is being measured because the average person will not know what the Office of Management and Budget -approved *Real Property Cost Savings and Innovation Plan* is.

In another case, the performance measure is worded to measure an outcome, the prevention and detection of fraud, but only measures a process or output, which is a fraud referral system in *my* Social Security. While fraud referrals are a step in the right direction, they do not measure the desired outcome of detecting and preventing fraud. SSA should measure the percentage of referrals that actually detect or prevent fraud to show the true outcome of the process being implemented. In fact, if SSA does not measure that, it will not know whether the fraud referral system is helping detect or prevent fraud. It could get many referrals, but none may lead to actually preventing fraud. If that were the case, SSA would need to re-evaluate the process. SSA should measure its desired outcomes whenever possible.

Key Related Links

National Academy of Public Administration report – *Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030*, July 2014.

OIG Report - *The Social Security Administration's Financial Report for Fiscal Year 2014* (A-15-14-14084), November 2014.

OIG Report – *Fraud Risk Performance Audit of the Social Security Administration's Disability Programs* (A-15-15-25002), April 2015.

SSA's *SSA Annual Performance Report 2014 – 2016 (Annual Performance Plan for FY 2016, Revised Performance Plan for FY 2015, and Annual Performance Report for FY 2014)*.

SSA's *Vision 2025*.

CONCLUSION

This report describes SSA's most pressing management and performance challenges. While we understand the Agency has competing priorities and limited resources, it must bring more attention to the issues outlined in this document to ensure it effectively and efficiently serves the American public. We look forward to working with the Agency in identifying ways it can continue to improve its performance and manage its programs in a more secure and transparent manner.

Steven L. Schaeffer, JD, CPA, CGFM, CGMA
Assistant Inspector General for Audit

OTHER REPORTING REQUIREMENTS

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit Table

Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances Table

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

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

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal years (FY) 2011 through FY 2015.

Quality Assurance Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	98.4%	98.5%	98.1%	98.1%	97.7%
Number of cases reviewed	32,807	32,262	31,672	29,780	29,360
Number of cases returned to the DDSs due to error or inadequate documentation	524	476	608	577	663

DI Preeffectuation Reviews

We also perform preeffectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of preeffectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI preeffectuation accuracy rates for FY 2011 through FY 2015.

DI Preeffectuation Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	97.4%	97.4%	97.1%	96.9%	96.4%
Number of cases reviewed	390,480	362,250	333,159	316,306	293,015
Number of cases returned to the DDSs due to error or inadequate documentation	10,246	9,414	9,619	9,689	10,647

SSI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI preeffectuation accuracy rates for FY 2011 through FY 2015.

SSI Preeffectuation Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow not returned to the DDSs for correction	97.9%	97.9%	97.7%	97.6%	97.1%
Number of cases reviewed	124,401	116,681	109,645	105,628	104,808
Number of cases returned to the DDSs due to error or inadequate documentation	2,612	2,430	2,530	2,562	2,988

Continuing Disability Reviews

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2011 through FY 2015.

CDR Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overall accuracy	97.7%	97.9%	97.2%	97.6%	96.7%
Continuance accuracy	98.3%	98.6%	98.0%	98.3%	97.3%
Cessation accuracy	96.0%	95.8%	95.1%	95.5%	95.0%

OASDI and SSI Quality Assurance Reviews

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2011 through FY 2014. Data for FY 2015 is not available at this time. We will report the FY 2015 data in our FY 2016 *Agency Financial Report.*

OASDI Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overpayment accuracy	99.7%	99.8%	99.8%	99.5%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overpayment accuracy	92.7%	93.7%	92.4%	93.0%	Data not yet available
Underpayment accuracy	98.2%	98.2%	98.3%	98.5%	Data not yet available

SSI Redeterminations

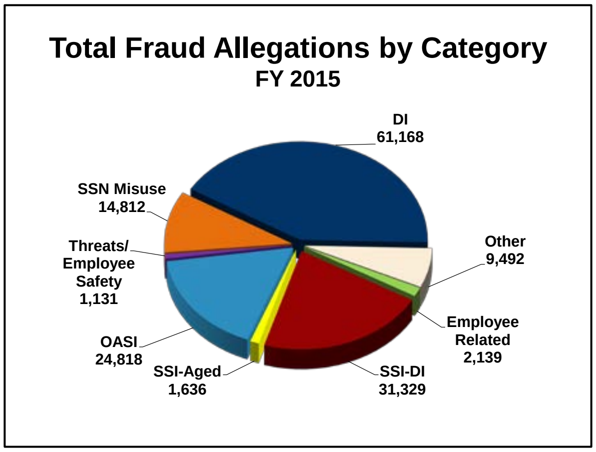
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2011 through FY 2015.

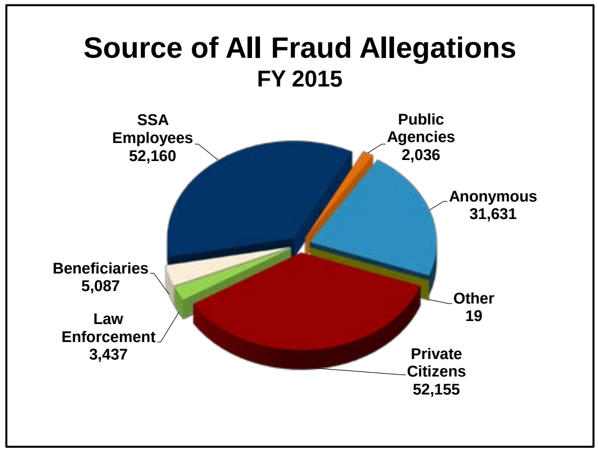
SSI Redeterminations Table
(in millions)

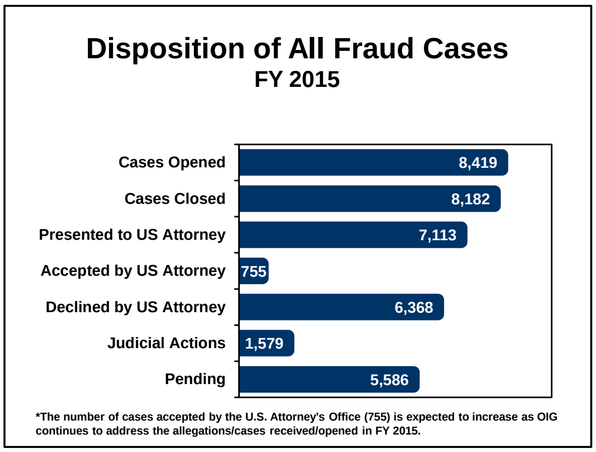
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of redeterminations completed	2.457	2.624	2.634	2.628	2.267

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

In FY 2015, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







Civil Monetary Penalties

For FY 2015, pursuant to two sections of the *Social Security Act*, the Commissioner of Social Security had the authority to impose a civil monetary penalty (CMP) in amounts ranging from $5,000 to $25,000, depending on the nature of the offense. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any false statements or representations in connection with obtaining or retaining benefits or payments under the OASDI, SSI, and Special Veterans Benefits programs. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from fraudulent schemes that make use of our agency's well-known name and reputation. The Commissioner of Social Security delegated authority to enforce both sections to OIG.

For FY 2015, Section 4 of the *Federal Civil Penalties Inflation Adjustment Act of 1990* (Adjustment Act), as amended by the *Debt Collection Improvement Act of 1996*, specifically excluded CMPs issued under the *Social Security Act* from adjustments for inflation under the Adjustment Act. Therefore, the following table does not apply to our agency for FY 2015 reporting.

Civil Monetary Penalty Adjustments

Penalty	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Biennial Review of User Fee Charges

Summary of Fees

In FY 2014 and FY 2015, we earned $389 million and $306 million in user fees, respectively. This revenue accounted for less than 1 percent of our total financing sources. We derive over 70 percent of user fee revenues from agreements with 21 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2015, we charged a fee of $11.55 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.56 for FY 2016. Pursuant to Section 1616(d)(2)(B) of the *Social Security Act*, we adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. In addition, we charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2014 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2012. We are planning to perform another review of these fees during FY 2016.

Freeze the Footprint

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

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

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

Square Footage Table

	FY 2012 Baseline	FY 2014	Change from Baseline	FY 2015*	Change from Baseline
Usable square footage	26,367,253	25,241,806	-1,125,447 or 4.27%	25,028,739	-1,338,514 or 5.08%

Note:

*Estimated, as the final usable square footage is not available from GSA until the second quarter of FY 2016.

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2012 Reported Cost	FY 2014	Change	FY 2015	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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

- Analyzing rent trend projections while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels; and
- Vacating 1 headquarters leased building in FY 2016 to reduce our portfolio by approximately 140,000 usable square feet.

Debt Management

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

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 55,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $641 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. We are working to address the system limitation, however the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

FY 2015 Quarterly Debt Management Activities
Programmatic and Administrative Activity Table

Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$18,174	$18,476	$19,078	$19,361
New receivables	1,090	2,461	4,350	5,865
Total collections	(897)	(1,754)	(2,702)	(3,692)
Adjustments	(131)	(199)	(369)	(446)
Total write-offs	(140)	(284)	(453)	(618)
- Waivers	(82)	(169)	(258)	(342)
- Terminations	(58)	(115)	(195)	(276)
Aging schedule of debts:				
- Non delinquent debt	11,317	11,657	12,154	12,210
- Delinquent debt				
- 180 days or less	1,557	1,353	1,328	1,437
- 181 days to 10 years	4,715	4,856	4,953	5,034
- Over 10 years	585	610	643	680
- Total delinquent debt	$6,857	$6,819	$6,924	$7,151

Debt Management Activities
Programmatic and Administrative Activity Table

Dollar Totals (in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total receivables	$15,854	$16,588	$17,046	$18,252	$19,361
New receivables	6,102	5,955	5,616	5,976	5,865
Total collections	(3,633)	(3,663)	(3,817)	(3,686)	(3,692)
Adjustments	(809)	(536)	(391)	(309)	(446)
Total write-offs	(1,018)	(1,022)	(950)	(775)	(618)
- Waivers	(546)	(502)	(421)	(373)	(342)
- Terminations	(472)	(520)	(529)	(402)	(276)
Non delinquent debt	11,190	11,589	11,268	11,895	12,210
Total delinquent debt	$4,664	$4,999	$5,778	$6,357	$7,151
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	70.6%	69.9%	66.1%	65.2%	63.1%
- Delinquent	29.4%	30.1%	33.9%	34.8%	36.9%
% of debt estimated to be uncollectible*	27.8%	27.3%	26.3%	25.5%	24.2%
% of debt collected	22.9%	22.1%	22.4%	20.2%	19.1%
% change in collections from prior fiscal year	-0.5%	0.8%	4.2%	-3.4%	0.2%
% change in delinquencies from prior fiscal year	12.2%	7.2%	15.6%	10.0%	12.5%
Clearances as a % of total receivables	29.3%	28.2%	28.0%	24.4%	22.3%
- Collections as a % of clearances	78.1%	78.2%	80.1%	82.6%	85.7%
- Write-offs as a % of clearances	21.9%	21.8%	19.9%	17.4%	14.3%
Other Analysis					
Cost to collect $1	$0.08	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	15	15	16
- DI	38	49	66	55	62
- SSI	35	36	38	39	43

Note:

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

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.

2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.

3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the Treasury Offset Program and

Administrative Wage Garnishment. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

IMPROPER PAYMENTS INFORMATION DETAILED REPORT

Background

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Strengthen the Integrity of Our Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2014 - 2018* (www.socialsecurity.gov/asp/plan-2014-2018.pdf). Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct continuing disability reviews (CDR) to determine whether disability beneficiaries continue to meet the programs' medical criteria. However, terminating disability benefits after a CDR may not mean that the original determination was incorrect, it may mean the beneficiary's medical condition has improved to the point he or she can work. Therefore, the benefits he or she received prior to improvement may not be improper.

In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), we report as improper those payments that result from:

- Our mistake in computing the payment;
- Our failure to obtain or act on available information affecting the payment;
- A beneficiary's failure to report an event; or
- A beneficiary's incorrect report.

OMB has designated 16 Federal programs as "high-priority programs." As outlined in OMB's IPERIA guidance, any program with $750 million in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. Two of our programs meet OMB's definition of high-priority programs: the OASDI program and the SSI program.

The information presented in this report complies with the guidance provided in IPIA, OMB Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and OMB Circular No. A-136, *Financial Reporting Requirements*. This report provides general information that demonstrates our commitment to reducing improper payments. It also contains descriptions of our efforts in reducing, recovering, and preventing improper payments for our OASDI and SSI benefit programs and our administrative payments.

We provide additional information on our efforts to curb improper payments for the OASDI and SSI programs and to meet the requirements of Executive Order 13520, *Reducing Improper Payments*, at our public improper payments website (www.socialsecurity.gov/improperpayments).

Risk Assessment and Statistical Sampling

Risk Susceptible Program

IPERA expanded the definition of programs susceptible to significant improper payments to include programs with improper payments estimated to exceed $100 million. Under this definition, our OASI, DI, and SSI programs are susceptible to significant improper payments. We estimate improper payments in these programs in terms of overpayments and underpayments. See Table 1a for details of our OASI and DI improper payments, and Table 1c for details of our SSI improper payments.

OMB's IPERA guidance requires us to evaluate all of our payment outlays (i.e., payments from the OASI, DI, and SSI programs and other outlays, such as administrative payments). Since 2003, we have reviewed our administrative payments, including payroll disbursements and vendor payments. We found these payments were not susceptible to significant improper payments. We provide additional information on this risk assessment of our administrative payments in the Risk Assessment: Administrative Payments section of this improper payments report.

We evaluated our FY 2014 administrative expenses and determined they were not susceptible to significant improper payments as defined by IPIA.

Risk Assessment: Benefit Payments

To comply with IPERA's risk assessment requirements, we conduct an annual stewardship review of our OASDI and SSI payments. Our stewardship review is a proven, cost-effective means for evaluating payment accuracy and identifying major causes of improper payments in our benefit programs.

Risk Assessment: Administrative Payments

IPERA requires agencies to review administrative payments as part of their annual risk assessment process. If these risk assessments determine that an agency's administrative payments are susceptible to significant improper payments, the agency is required to establish an annual improper payment measurement related to administrative payments.

As part of the risk assessment, we considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- The size, stability, and complexity of our administrative payment processes;
- The historically low error rate for administrative payments;
- Extensive controls inherent in our administrative payment systems; and
- The current internal control structure we have in place to prevent, detect, and recover improper administrative payments.

We reviewed the agency's Travel and Purchase Card Management Plans required by OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. We also leveraged the results of a financial risk assessment completed in FY 2014 by an independent accounting firm in support of our *Federal Managers' Financial Integrity Act* (FMFIA) compliance program. This assessment found that our overall risks are low in the areas of administrative expenses and payables as well as human resources and payroll management.

We demonstrate that, other than what is required in our annual *Agency Financial Report*, our administrative payments do not meet the criteria for further improper payment reporting to Congress or OMB.

Statistical Sampling

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a statistically valid sample of OASI, DI, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, contact third parties for additional information if needed, and redevelop all non-medical factors of eligibility as of the sample month to determine whether the payment was correct. We express any difference between what we actually paid and what the reviewer determines we should have paid as an overpayment or underpayment error. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in FY 2014. For government-wide reporting purposes, our FY 2014 findings are treated as FY 2015 data. We will not have FY 2015 data until April 2016. We will report our findings from the FY 2015 stewardship reviews in next year's *Improper Payments Information Detailed Report*.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refers to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay more or less than we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year rolling average for each type of deficiency to identify and rank error trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We base our corrective actions for our high-priority programs on the information we obtain from the stewardship reviews. We focus our efforts on major causes of improper payments, both overpayments and underpayments.

Improper Payment Reporting

Improper Payments Strategy

For FY 2015, we continued to focus our improper payments strategy to align with our improper payments governance. We are working in collaboration with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to "Strengthen the Integrity of Our Programs." Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Collaborate with other Federal agencies, such as the Department of Veterans Affairs (VA) and Centers for Medicare and Medicaid Services within the Department of Health and Human Services (HHS), to find innovative ways to prevent and reduce improper payments;
- Increase efforts to recover overpayments;
- Enhance predictive models and automation tools to help identify error-prone aspects of benefit eligibility;
- Expand the use of data analytics to reduce fraud and payment errors; and
- Streamline the Representative Payee Program to better identify potential misuse of benefits.

In addition to our on-going efforts to curb improper payments, we identified the following eight key strategic initiatives to achieve our Strategic Goal:

- Increase Access to Financial Institutions (AFI) information;
- Enhance the SSI wage-reporting process;
- Identify non-home real property;
- Increase post-entitlement accuracy;
- Improve death data processing;
- Impose administrative sanctions;
- Make better use of data exchanges; and
- Enhance debt collection policy and practices.

We will discuss these initiatives and how they relate to reducing improper payments in our OASDI and SSI programs in the Improper Payments Root Causes and Corrective Actions section of this improper payments report. We discuss initiatives that affect improper payments in both programs in the Efforts to Reduce Fraud, Waste, and Abuse in the OASDI and SSI Programs section of this improper payments report.

In our *Annual Performance Report for FYs 2014-2016*, one of our strategic objectives to achieve our Strategic Goal is: Increase Payment Accuracy. To reach this strategic objective, we identified the following five performance measures:

- Reduce the percentage of improper payments made under the SSI program;
- Maintain the low percentage of improper payments made under the OASDI program;
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;
- Complete the budgeted number of full medical CDRs; and
- Complete the budgeted number of SSI non-medical redeterminations.

We discuss our strategies to achieve these performance measures in our *Annual Performance Report for FYs 2014 - 2016* (www.ssa.gov/agency/performance/2016/FINAL_2014_2016_APR_508_compliant.pdf).

Experience and Outlook in the OASI, DI, OASDI, and SSI Programs

OMB requires agencies that have programs or activities that are susceptible to significant improper payments to list the programs and related improper payment rates in one table. Table 1 shows the improper payment rates for the OASI, DI, OASDI, and SSI programs for FYs 2013 and 2014. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid. We calculate the improper payment (IP) rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid. This table also presents our accuracy targets for FYs 2015, 2016, and 2017 for the OASDI and SSI programs.

Please see Table 1a for more details about our improper payment rates for the OASI and DI programs for FYs 2012, 2013, and 2014, and see Table 1b for more details about our combined OASDI Improper Payments Reduction Outlook for FYs 2015, 2016, and 2017. For our SSI program, please see Table 1c for more details about our improper payment rates for the SSI program for FYs 2012, 2013, and 2014, and see Table 1d for more details about our SSI Improper Payments Reduction Outlook for FYs 2015, 2016, and 2017.

Table 1: Improper Payment Reduction Outlook[1,2,3,4,5,6]
FY 2013 – FY 2017
(dollars in millions)

	OASI	DI	OASDI	SSI	DRAA[7,8,9]	Total
FY 2013 Outlays	$692,672.98	$131,518.38	$824,191.36	$55,349.89	$0.90	$879,542.15
2013 IP %	0.26%	0.88%	0.36%	9.23%	0.00%	0.92%
2013 IP $	$1,790.84	$1,160.94	$2,951.77	$5,107.31	$0.00	$8,059.08
FY 2014 Outlays	$720,351.38	$142,368.41	$862,719.79	$56,457.56	$0.081	$919,177.43
2014 IP %	0.45%	1.25%	0.58%	8.44%	0.00%	1.07%
2014 IP $	$3,253.32	$1,784.87	$5,038.19	$4,764.74	$0.00	$9,802.93
2014 Overpayment $	$2,962.06	$1,603.68	$4,565.74	$3,924.48	$0.00	$8,490.22
2014 Underpayment $	$291.26	$181.19	$472.45	$840.26	$0.00	$1,312.71
2015 Est. Outlays			$878,710.29	$57,454.00	$0.00	$936,164.29
2015 Est. IP %[6]			0.40%	6.20%	0.00%	0.76%
2015 Est. IP $			$3,514.84	$3,562.15	$0.00	$7,076.99
2016 Est. Outlays			$919,281.25	$58,237.62	$0.00	$977,518.87
2016 Est. IP %[6]			0.40%	6.20%	0.00%	0.75%
2016 Est. IP $			$3,677.13	$3,610.73	$0.00	$7,287.86
2017 Est. Outlays			$966,749.10	$59,155.05	$0.00	$1,025,904.15
2017 Est. IP %[6]			0.40%	6.20%	0.00%	0.73%
2017 Est. IP $			$3,867.00	$3,667.61	$0.00	$7,534.61

Notes:

1. Total OASDI and SSI outlays for FYs 2013 and 2014 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. FY 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. Total OASDI estimated outlays for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
4. Total SSI estimated outlays for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget, adjusted to be presented on a constant 12 month per year payment basis.
5. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. Percentages are derived from unrounded source data.
6. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $862 million in program outlays for the OASDI program and about $56.5 million in program outlays for the SSI program. Given our improper payment results, we will work with OMB over the coming year to agree to more realistic targets.
7. Total FY 2013 DRAA payments represent the total outlays against the obligations. The FY 2013 DRAA obligations were for $1,021,379. The current unpaid obligation balance is $29,519. We realized recoveries of $6,257 on previously recorded unpaid obligations.
8. Total FY 2014 DRAA payments represent the total outlays in FY 2014 against the FY 2013 obligations.
9. We had no DRAA payments in FY 2015. In addition, there is no additional funding or obligations for DRAA.

OASDI Experience and Reduction Outlook

Over the last 5 years (FYs 2010-2014), our stewardship reviews estimate that we paid approximately $3.2 trillion to OASI beneficiaries. Of that total, we estimate $7.1 billion were overpayments, representing approximately 0.22 percent of outlays. We estimate that underpayments during this same period were $2.5 billion, the equivalent of approximately 0.08 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid $652 billion to DI beneficiaries over the last 5 years (FYs 2010-2014). Of that total, we estimate $6 billion were overpayments, representing approximately 0.92 percent of outlays. We estimate underpayments during this same period totaled $2.6 billion, the equivalent of approximately 0.4 percent of outlays.

Table 1a shows the improper payment rates for the OASI and DI programs for FYs 2012, 2013, and 2014.

Table 1a: OASDI Improper Payments Experience FY 2012 – FY 2014 (dollars in millions)

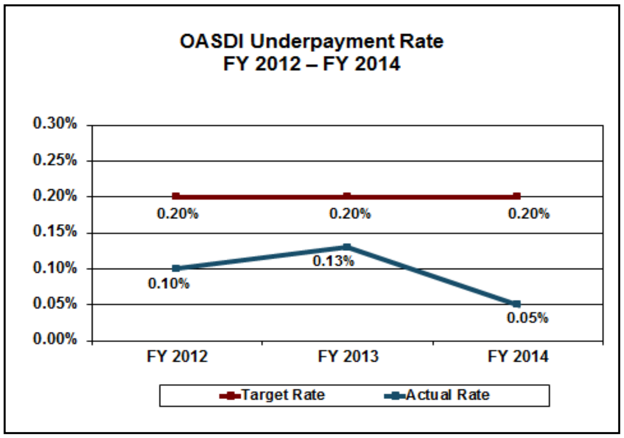
	FY 2012		FY 2013		FY 2014	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$643,136.49		$692,672.98		$720,351.38	
Underpayment Error	$517.14	0.08%	$682.09	0.10%	$291.26	0.04%
Overpayment Error	$469.17	0.07%	$1,108.75	0.16%	$2,962.06	0.41%
DI						
Total Benefit Payments	$127,151.11		$131,518.38		$142,368.41	
Underpayment Error	$223.23	0.18%	$417.25	0.32%	$181.19	0.13%
Overpayment Error	$1,239.19	0.97%	$743.69	0.57%	$1,603.68	1.13%
Combined OASDI						
Total Benefit Payments	$770,287.60		$824,191.36		$862,719.79	
Underpayment Error	$740.37	0.10%	$1,099.33	0.13%	$472.45	0.05%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$1,708.36	0.22%	$1,852.44	0.22%	$4,565.74	0.53%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2012, 2013, and 2014 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. FY 2015 data will not be available until April 2016.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
4. OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2012, +0.05 percent and -0.06 percent for underpayments and ±0.04 percent for overpayments; for FY 2013, +0.10 percent and -0.13 percent for underpayments and +0.16 percent and -0.17 percent for overpayments; and for FY 2014, +0.03 percent and -0.05 percent for underpayments and ±0.40 percent for overpayments.
5. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2012, +0.17 percent and -0.26 percent for underpayments and +0.86 percent and -0.87 percent for overpayments; for FY 2013, +0.32 percent and -0.33 percent for underpayments and +0.57 percent and -0.61 percent for overpayments; and for FY 2014, +0.12 percent and -0.23 percent for underpayments and +0.12 percent and -1.76 percent for overpayments.
6. Changes in the OASDI error rates from FY 2012 to FY 2013 and from FY 2013 to FY 2014 are not statistically significant.

The graphs below show our estimated OASDI underpayment and overpayment rates for the last three years. For our FY 2014 stewardship review, the decrease in underpayment error rate is due to a reduction in annual earnings test errors and multi-entitlement computation errors. The increase in the FY 2014 overpayment error rate was caused by an increase in Substantial Gainful Activity (SGA) (a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html), Windfall Elimination Provision (WEP) (a definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html), and Government Pension Offset (GPO) errors. However, the respective changes in the rates are not statistically significant.

We are pursuing an internal systems initiative that will enhance our current process by generating alerts when a beneficiary is entitled on multiple records and WEP or GPO applies.



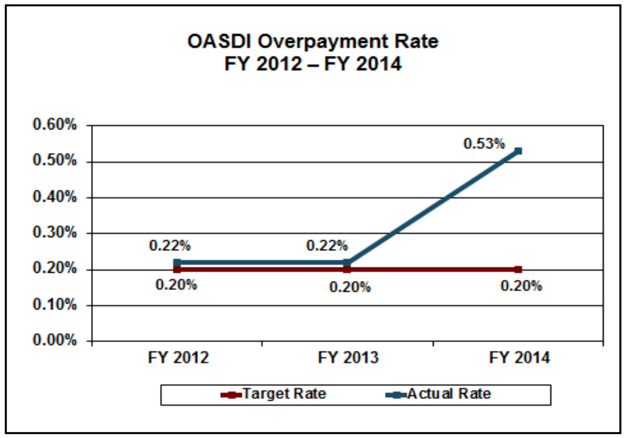


Table 1b presents our accuracy targets for FYs 2015, 2016, and 2017 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 1b: OASDI Improper Payments Reduction Outlook[1,2,3]
FY 2015 – FY 2017
(dollars in millions)

	FY 2015 Target		FY 2016 Target		FY 2017 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	$878,710.29		$919,281.25		$966,749.10	
Underpayments	$1,757.42	≤0.20%[4]	$1,838.56	≤0.20%[4]	$1,933.50	≤0.20%[4]
Overpayments	$1,757.42	≤0.20%[4]	$1,838.56	≤0.20%[4]	$1,933.50	≤0.20%[4]

Notes:

1. Total OASDI benefit payments for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget.
2. FY 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
4. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $862 million in program outlays for the OASDI program.

SSI Experience and Reduction Outlook

Over the last 5 years (FYs 2010-2014), our stewardship reviews estimate that we paid approximately $267.2 billion to SSI recipients. Of that total, we estimate $18.6 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were $4.9 billion, the equivalent of approximately 1.8 percent of outlays.

Table 1c shows the improper payment rates for the SSI program for FYs 2012, 2013, and 2014.

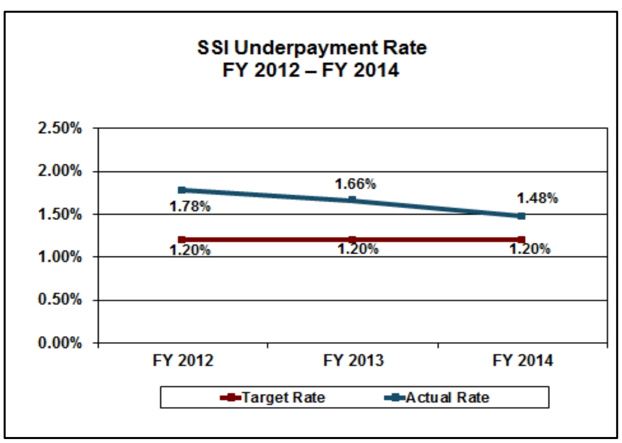
Table 1c: SSI Improper Payments Experience
FY 2012 – FY 2014
(dollars in millions)

	FY 2012	FY 2013	FY 2014
Total Federally Administered Payments			
Dollars	$53,410.57	$55,349.89	$56,457.56
Underpayments			
Dollars	$948.41	$917.82	$840.26
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.78%	1.66%	1.48%
Overpayments			
Dollars	$3,386.67	$4,189.49	$3,924.48
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	6.34%	7.57%	6.95%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2015 data will not be available until April 2016.
3. The percentages and dollar amounts presented in Table 1c are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
4. SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2012, ±0.53 percent for underpayments and ±1.78 percent for overpayments; for FY 2013, ±0.45 percent for underpayments and ±1.83 percent for overpayments; and for FY 2014, ±0.27 percent for underpayments and ±0.95 percent for overpayments.
5. The decrease in SSI overpayment accuracy from FY 2012 to FY 2013, though not statistically significant, was due primarily to increases in financial account and in-kind support and maintenance overpayment deficiency dollars in FY 2013.

The graphs below show our estimated SSI underpayment and overpayment rates for the last three years.



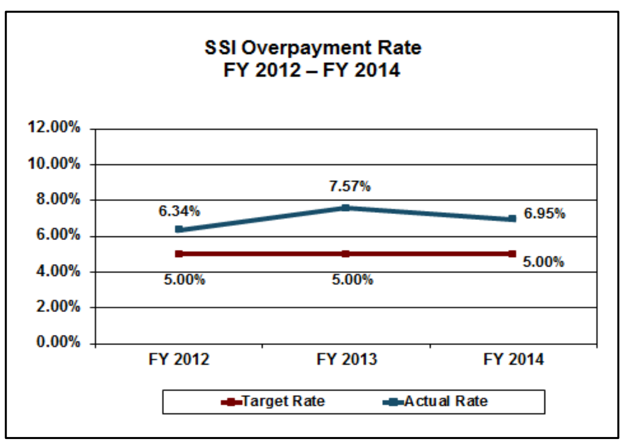


Table 1d shows our target accuracy goals for FYs 2015, 2016, and 2017 for the SSI program.

Table 1d: SSI Improper Payments Reduction Outlook[1,2]
FY 2015 – FY 2017
(dollars in millions)

	FY 2015 Target		FY 2016 Target		FY 2017 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally Administered Payments	$57,454.00		$58,237.62		$59,155.05	
Underpayments	$689.45	≤1.20%[3]	$698.85	≤1.20%[3]	$709.86	≤1.20%[3]
Overpayments	$2,872.70	≤5.00%[3]	$2,911.88	≤5.00%[3]	$2,957.75	≤5.00%[3]

Note:

1. Total federally administered SSI payments for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $56.5 million in program outlays for the SSI program.

High-Priority Programs - SSI Supplemental Measures and Targets

To comply with Executive Order 13520, as amended by IPERIA, we developed two 3-year SSI supplemental measures and targets for FYs 2015-2017:

1. Complete the number of budgeted non-medical redeterminations.

   The total number of SSI redeterminations we complete varies from year to year based on available resources and field office (FO) workload considerations. We completed approximately 2.267 million SSI redeterminations in FY 2015. The FY 2015 President's Budget, as appropriated, includes resources to complete 2.225 million SSI redeterminations. We anticipate the target will remain 2.622 million, subject to our funding in both FY 2016 and FY 2017.

2. Increase the number of successful wage reports received using SSI Telephone Wage Reporting (SSITWR) and SSI Mobile Wage Reporting (SSIMWR) by 6 percent from September of the previous fiscal year.

   The SSITWR system contains a dedicated telephone number to allow SSI beneficiaries and their representative payees to report the beneficiary's monthly wages by calling and using a combination of touch-tone entry and voice-recognition software. For FYs 2015-2017, our goal was and still is to increase the September combined SSITWR and SSIMWR successful wage reports by 6 percent from the prior September combined SSITWR and SSIMWR total.

These measures also support our Agency Priority Goal to improve the integrity of the SSI program by ensuring that 95 percent of our payments are free of improper payments. Our goal is to increase our SSI overpayment accuracy to 95 percent and our SSI underpayment accuracy to 98.8 percent by the end of FYs 2016 and 2017.

We discuss the SSI redeterminations workload in more detail in the Improper Payments Root Causes and Corrective Actions section.

The following tables reflect our supplemental targets and measures for FY 2015-2017.

Table 1e: SSI – Supplemental Measures and Targets FY 2015

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2015, complete the budgeted amount of 2.225 million SSI non-medical redeterminations.	In FY 2015, we completed approximately 2.267 million SSI redeterminations.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	In the month of September 2015, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over the number in the month of September 2014.	In September 2015, we received 78,970 monthly wage reports, a 22 percent increase over September 2014.

Table 1f: SSI – Supplemental Measures and Targets FY 2016

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2016, complete the budgeted amount of 2.622 million SSI non-medical redeterminations.	FY 2016 actual information not yet available.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	By September 30, 2016, increase the number of monthly wage reports processed in time to prevent an improper payment by 6 percent over September 30, 2015.	FY 2016 actual information not yet available.

Table 1g: SSI – Supplemental Measures and Targets FY 2017

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2017, complete the budgeted amount of SSI non-medical redeterminations.	FY 2017 actual information not yet available.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	By September 30, 2017, increase the number of monthly wage reports processed in time to prevent an improper payment by 6 percent over September 30, 2016.	FY 2017 actual information not yet available.

Improper Payments Root Causes and Corrective Actions

Table 2 lists the major causes of improper payment (overpayments and underpayments) in the OASDI and SSI programs using OMB's seven categories of error. In addition, to be consistent with with our reporting in Table 1, we included DRAA payments.

Table 2: Improper Payment Root Cause Category Matrix for FY 2014
(dollars in millions)

	OASDI Program		SSI Program		DRAA	
Reason for Improper Payment	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility	$0	$95	$3,518	$614	$0	$0
Failure to Verify:						
Death Data	$1	$2	$5	$0	$0	$0
Financial Data	$0	$0	$63	$51	$0	$0
Excluded Party List	$0	$0	$0	$0	$0	$0
Prisoner Data	$214	$0	$0	$0	$0	$0
Other Eligibility Data	$2,702	$152	$127	$32	$0	$0
Administrative or Process Error Made by:						
Federal Agency	$1,649	$224	$212	$143	$0	$0
State or Local Agency	$0	$0	$0	$0	$0	$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$0	$0	$0	$0	$0	$0
Medical Necessity	$0	$0	$0	$0	$0	$0
Insufficient Documentation to Determine	$0	$0	$0	$0	$0	$0
Other Reason (a) (explain)	$0	$0	$0	$0	$0	$0
Other Reason (b) (explain)	$0	$0	$0	$0	$0	$0
TOTAL	$4,566	$472	$3,924	$840	$0	$0

Notes:

1. Data Source: FY 2014 OASDI and SSI Stewardship reviews.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:
   - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.
   - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria.
   - **Failure to Verify Data** – Improper payments issued because the agency or another party administering Federal dollars fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exists in government or third-party databases.
     - **Death Data** – Failure to verify that an individual is deceased, and the agency pays that individual.
     - **Financial Data** – Failure to verify that an individual's or household's financial resources (e.g., current income or assets) do not meet the threshold to qualify him or her for a benefit, and the agency makes a benefit payment to that individual or household.
     - **Excluded Party Data** – Failure to verify that an individual or entity has been excluded from receiving Federal payments, and the agency pays that individual or entity.
     - **Prisoner Data** – Failure to verify that an individual is incarcerated and ineligible for receiving a payment, and the agency pays that individual.
     - **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result.
   - **Administrative or Process Errors Made** – Improper payments caused by incorrect data entry, classifying, or processing of applications or payments made by Federal, State, local agencies, or other organizations that administer Federal dollars.
   - **Medical Necessity Errors** – Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.
   - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.
   - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

Major Causes and Corrective Actions for OASDI Improper Payments

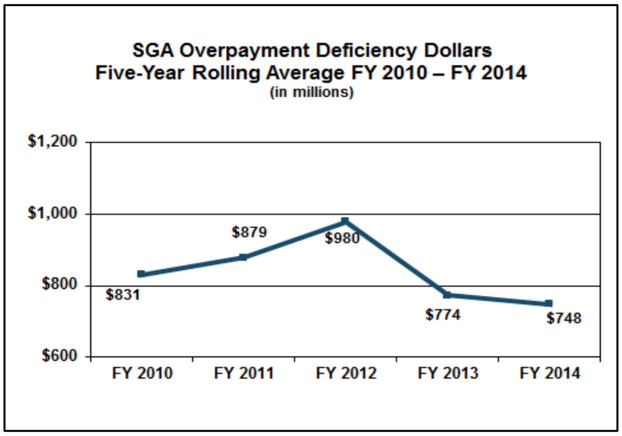
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

Substantial Gainful Activity

Description:

When disability beneficiaries work, a number of factors determine whether they can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely, or we do not take the proper actions to process work reports. The following graph shows the five-year rolling average of SGA overpayment deficiency dollars.

Historical Figures:



Corrective Actions:

Table 2a shows our actions to ensure timely processing of beneficiaries' earnings. Payment errors based on SGA correspond to the "Failure to Verify: Other Eligibility Data" category in Table 2.

Table 2a: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to make it a priority to identify cases where we failed to terminate the disability payments following medical cessation determinations.	Ongoing	In April 2014, 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.
Predictive Model		
We developed a statistical predictive model that helps us prioritize our resources by identifying the earnings of beneficiaries who are at greatest risk of receiving an overpayment due to work activity. In FY 2014, we evaluated all FY 2013 work CDRs, including those selected by the predictive model.	Completed July 2014	The following results compare all work CDRs selected in FY 2013 before and after national implementation of the predictive model: • Average number of months a beneficiary was overpaid decreased from 18 months to 14 months. • Average overpayment amount per overpaid working DI beneficiary decreased from approximately $20,000 to $16,000. • Total overpayments due to work decreased from approximately $1.5 billion to $1 billion.

Description	Target Completion	Status
We are conducting a pilot to delay the Automated Earnings Reappraisal Operation (AERO) for cases with a pending work CDR. We are testing a new process to delay the benefit increase, which we may later determine to be an overpayment, resulting from an AERO, for a sample of disability beneficiaries with a pending work CDR. Our goal is to prioritize and review cases with unreported earnings before we compute and issue any benefit increase.	FY 2016	We used our predictive model to identify approximately 12,000 cases eligible for a benefit increase and delayed the AERO increase for 6 months. The first test of the pilot in October 2012 was a success with a smaller sample. We continued the pilot by drawing a larger sample in October 2013. The June 2014 evaluation found promising results from the processing that ended April 2014. We continued to pilot in October 2014 where we selected a new sample and delayed the AERO increase for approximately 12,000 cases pending a work CDR. The pilot ended in April 2015, and we completed an initial evaluation of the pilot in August 2015. We found that we completed a work CDR on nearly half of the cases; approximately 32 percent of the cases did not require a work CDR, and 20 percent were still pending. We estimate that as a result of the AERO delay, we prevented an increase in monthly benefits for approximately 4,300 beneficiaries where an overpayment would have occurred. We will continue evaluating the effectiveness of the pilot in FY 2016.
We are conducting a pilot to test our ability to release quarterly earnings enforcement work CDRs in conjunction with our existing Continuing Disability Review Enforcement Operation (CDREO) process. We currently target the earnings of ticket to work participants. If the pilot expands further, we may obtain authority to include beneficiaries who are not involved with ticket to work.	Ongoing	We began Phase 1 of the Quarterly Earnings Pilot in March 2014. Phase 2 of the pilot began with the March 2015 enforcement run, when we assigned approximately 1,800 cases for action to our processing centers. This phase of the pilot includes refined requirements that will better select CDRs that are more likely to generate a suspension or cessation.
We are piloting a new national screening process that removes unnecessary work CDREO alerts prior to assigning them for processing. The processing centers currently screen cases based on certain criteria using local programs. We are using a phased-in approach to remove unnecessary work CDREO alerts prior to assigning them for processing. The long-term goal is to eliminate the local screening programs run after the CDREO process.	Ongoing	As a result of the first phase of the pilot in May 2015, we removed approximately 100,109 unnecessary CDR alerts from the current CDREO process. In Phase 2, planned for June 2016, we will remove further unnecessary CDR alerts.

Description	Target Completion	Status
Legislative Proposal		
The *Bipartisan Budget Act of 2015* gives authority to the Commissioner to extend, under Section 234(d)(2), disability related demonstration projects that have expired and initiate new ones. This authority expires December 31, 2022 and the Commissioner has until December 31, 2022 to complete these projects. Other related provisions of the Budget Act require the Commissioner to ensure that the projects are voluntary and to conduct a 5-year demonstration project to test a benefit offset of $1 for each $2 of earnings.	Effective November 2, 2015	Enacted in the *Bipartisan Budget Act of 2015.* The annual report is due at the end of FY 2016.
The President's FY 2016 Budget includes a proposal that would restructure the wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal would not affect reporting on self-employment. Increasing the frequency of wage reporting could enhance tax administration and improve program integrity for our OASDI and SSI programs by permitting us to leverage the wage data in a timelier manner.	Pending	No Congressional action to date.

Computations

Description:

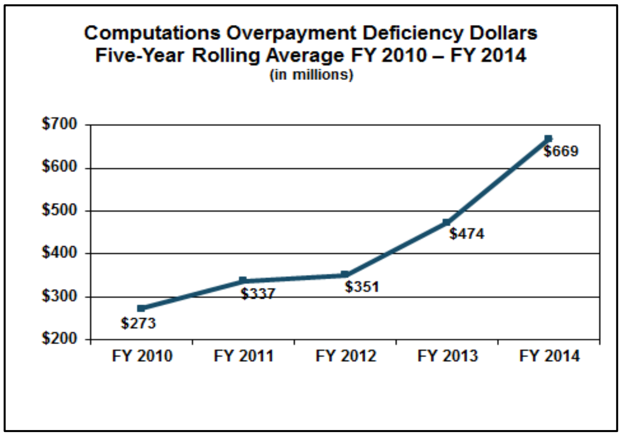
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

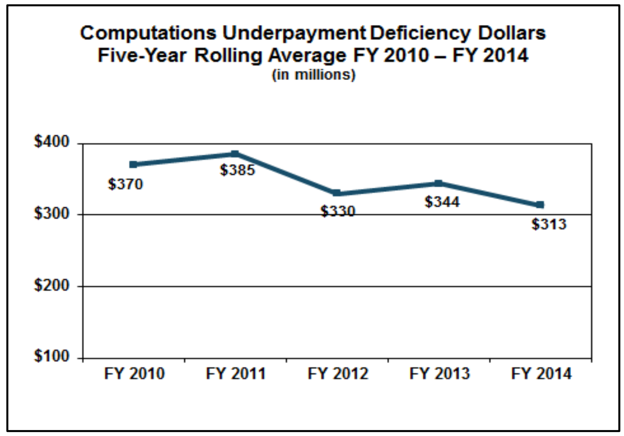
We base a person's benefit amount on a number of factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2010-2014, approximately 68 percent of the computation errors resulted in overpayments, with the leading causes being WEP, failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the reduction factor computation. RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to what the deceased beneficiary would receive if he or she were still alive.

Approximately 32 percent of computation errors from FYs 2010-2014 resulted in underpayments. The leading causes of underpayments are the miscalculation of the initial benefit amount and errors in recalculating benefits due to updated or new information received after our initial calculation of an individual's benefit amount.

Historical Figures:





Corrective Actions - Increase Post-Entitlement Accuracy

Recent studies indicate that we can improve accuracy in the areas of processing OASDI work CDRs and other changes to a beneficiary's record after they are already entitled to benefits. An internal workgroup is identifying workflow adjustments, policy changes, training, and automation solutions to improve post-entitlement accuracy. We are currently conducting the Title II Quarterly Earnings Pilot in the Northeastern Processing Center. Under this pilot, we are testing whether it makes sense to initiate work CDRs on a quarterly basis rather than waiting and doing so annually.

We are also enhancing the predictive model we use to determine the priority order of work CDRs. Additionally, we evaluated the current business process for work CDRs in our processing centers, FOs, and teleservice centers, and we developed simulation process models. This effort documented the current or "as is" business process and will allow us to identify and determine solutions to policy gaps and bottlenecks in the process. The outcome of these efforts will be to develop a desired or "to be" business process that is more efficient. We anticipate identifying an improved process in FY 2016.

Our studies also show that we sometimes overlook potential entitlements (i.e., entitlement to benefits other than the one an individual is applying for or receiving). In FY 2013, we began to address four potential entitlement workloads. By addressing post-entitlement accuracy and identifying potential entitlements, we will reduce improper overpayments and underpayments.

Table 2b shows our actions to increase our post-entitlement accuracy. Post-entitlement accuracy errors correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2b: Increase Post-Entitlement Accuracy

Description	Target Completion	Status
Better define the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	To be determined by results of planning.	We expect to begin planning and analysis for the system correction in FY 2016.
We implemented an inline quality review process in our processing centers aimed at improving the accuracy of manual post-entitlement transactions.	Completed July 2015	Through the end of FY 2014, we implemented an inline quality review process in four of our processing centers. We reviewed over 6,300 inline transactions, preventing over $1.6 million in improper payments. In July 2015, we completed implementation of the inline review process in the three remaining processing centers. Through September 2015, we have reviewed over 11,100 cases preventing over $2.5 million in improper payments. We plan to continue the inline quality review process.

Description	Target Completion	Status

Pursue potential entitlement workloads.	
	Completed September 2014
	
	Completed March 2014
	
	FY 2016
		In FYs 2014 and 2015, we evaluated the following initiatives:
		• Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits.
		  o Through September 2014, we reviewed 184 cases and entitled 57 individuals to OASDI benefits.
		• We identified individuals potentially entitled to higher benefits on the record of a former spouse, who is now deceased.
		  o In March 2014, we sent letters to over 2,800 individuals, informing them of their higher potential benefits. Through December 2014, over 1,000 individuals have filed for benefits and are currently receiving an average monthly increase of $607.
		• Veteran's Pension Referral: We identified SSI recipients who had a scheduled redetermination in FY 2014, and were possibly eligible for a veteran's pension.
		  o Through FY 2014, we reviewed over 5,400 cases out of 5,748 identified. Of those, we referred over 4,200 to the VA.
		  o In FY 2015, we notified approximately 30,000 SSI recipients that they may be entitled to a veteran's pension.
		  o In FY 2016, we plan to evaluate the population to determine why those SSI recipients who were eligible for a veteran's pension were not currently receiving one.

Description	Target Completion	Status

Pursue potential entitlement workloads (continued).	FY 2016
	
	FY 2016
		• In December 2014, we issued notices to over 25,000 individuals entitled as spouses who may be eligible for higher benefits on their own records. Through August 2015, approximately 11,730 of those that received notices filed for or are receiving benefits on their own account. The average monthly increase to those beneficiaries is approximately $333.
		  o In FY 2016, we plan to implement changes that will notify these individuals earlier.
		• We have developed a process for addressing all items on the original Potential Entitlement workload list and have defined deliverables for each stage of that process. We effectuated FY 2015 workloads and, where possible, identified possible root causes of the missed entitlements to prevent recurrence.
		  o We developed a detailed work plan for FY 2016 that will continue to work through the situations identified as potential or missing entitlements.

The President's FY 2016 Budget includes a proposal to establish workers' compensation and public disability benefits information reporting. Since we currently rely on beneficiaries to report when they receive benefits, this proposal would improve program integrity by requiring States, local governments, and private insurers that administer workers' compensation and public disability benefits to provide this information to us. The proposal would provide for the development and implementation of a system to collect such information from States, local governments, and insurers.	Pending	No Congressional action to date.

Major Causes and Corrective Actions for SSI Improper Payments

Our greatest payment accuracy challenge is the SSI program. The program's complexities stem from the way the law requires us to calculate SSI payments. We generally make SSI payments on the first day of the month for eligibility in that month. Many factors influence SSI payment accuracy. Even if the payment is correct when paid, any changes that may occur during the month can affect the payment due, which can result in an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. We remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner.

SSI is a means-tested program for individuals with limited income and resources that are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) or deemors (i.e., individuals such as a parent or spouse whose income and resources are considered in determining an applicant's or recipient's eligibility and payment) fail to report changes on time in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report such changes is the primary cause of both overpayment and underpayment errors.

Our stewardship findings over the last five years show that the major causes of overpayments in the SSI program have been errors or omissions in the following:

- Financial accounts (e.g., bank savings or checking accounts, or credit union accounts);
- Wages;
- In-kind Support and Maintenance (ISM); and
- Other real property (i.e., ownership of non-home real property).

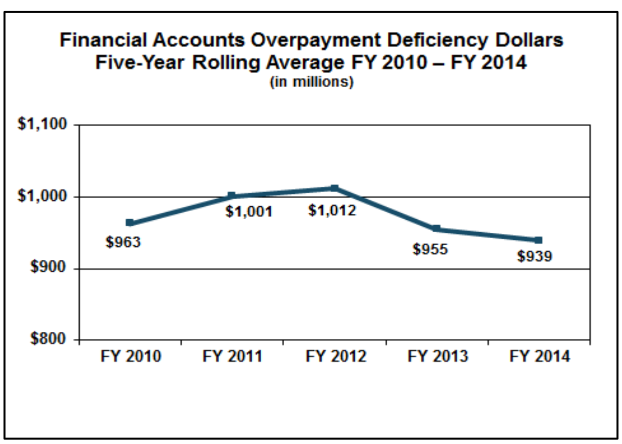
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Information for the corrective action for living arrangements is discussed later in this section.

Financial Accounts

Description:

Financial accounts with countable resources in excess of the allowable resource limits are the leading cause of SSI overpayment errors. When an applicant, recipient, or deemor has financial accounts with values exceeding the allowable resource limits, these accounts may result in periods of SSI ineligibility.

Historical Figures:



Corrective Actions:

To address overpayment errors related to financial accounts, we developed the AFI program. AFI is an automated process that verifies alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged bank accounts, AFI detects undisclosed accounts using unique search criteria. We use AFI to verify financial accounts during the SSI application process and when we conduct periodic redeterminations of continued eligibility.

We reduce SSI improper payments resulting from excess resources held in financial institutions by using the AFI electronic process on initial claims and redeterminations (i.e., a review of a recipient's non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount) and conducting up to 10 searches per individual for undisclosed bank accounts.

Table 2c shows our actions to reduce errors related to financial accounts. Payment errors related to financial accounts correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2c: Financial Accounts – Corrective Actions

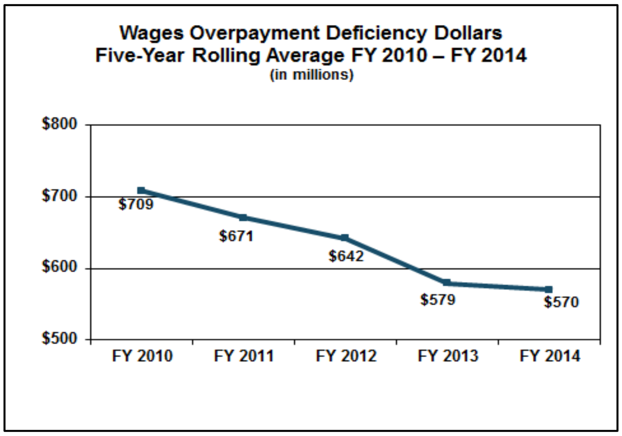
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance we implemented in October 2013.	FY 2016	We began planning and analysis to evaluate the effect of expanded AFI use in June 2014. We expect to complete the evaluation in FY 2016.
Begin the next five-year AFI contract.	Completed January 2015	We competitively awarded a five-year contract to a vendor to support AFI. The award was effective June 2015.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period of time in-between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	December 2015	Our Improper Payment Oversight Board (IPOB) approved the proposal, and the evaluation began in FY 2015.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	January 2016	We have begun systems planning and analysis. The enhancements are scheduled for implementation in early FY 2016.

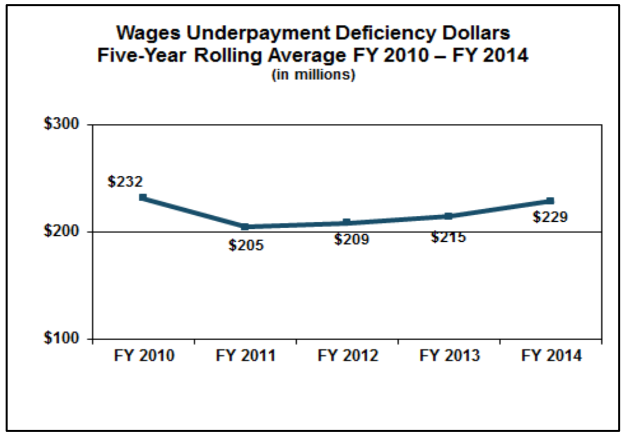
Wages

Description:

For more than a decade, wage discrepancies have been one of the leading causes of SSI overpayment and underpayment errors. Wage discrepancies occur when the recipient or his or her deemor has actual wages that differ from the wage amount used to calculate the SSI payment.

Historical Figures:





Corrective Actions:

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. We will modify our policy and processes to allow us to use the wage information we obtain from these sources more efficiently.

We developed several communication initiatives to help encourage recipients not only to remember to report events that can affect eligibility or payment amounts, such as changes in living arrangements, but also to make it easier for them to comply with reporting requirements. For example, we created two educational resources that FOs give recipients during claims and redeterminations:

- A two-pocket folder – The folder includes panels that list the SSI reporting requirements and pockets to store key documents such as wage stubs or other materials to help people report accurately.
- A business card – This small card contains information on the reporting requirements to be kept in a wallet or with other important papers.

Other examples of our corrective actions to address the root causes of wage-related errors include options for recipients (or representative payees on their behalf) or their deemors to self-report wages via telephone or a smartphone application. Since October 2013, recipients, representative payees, and deemors could use those automated reporting tools to report the preceding month's wages at any time in the current month.

- SSITWR

  In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report prior monthly gross wages via an automated telephone system. SSITWR ensures we post the wage amounts to the individual's record in a timely manner.

- SSIMWR Smartphone Application

  Beginning in December 2012, 50 FOs across all 10 regions began a pilot project for mobile wage reporting. This initiative allowed certain SSI recipients, representative payees, and deemors to use their smartphones to report a prior month's gross wages, using an application they can download at no cost from the Google Play and Apple App stores. The initial pilot was successful, and we expanded it to nearly 270 participating FOs in March 2013. The expanded phase of the pilot was successful as well, with more than 9,000 wage reports submitted using the smartphone application during the entire pilot. We rolled out the initiative nationally on August 1, 2013, following the release of some minor system improvements made as the result of feedback received during the pilot.

- Automated Reminder

  In September 2013, we implemented an automated SSI wage reporting reminder using GovDelivery. Individuals can voluntarily sign up to receive a monthly email or text message reminder to report wages for the prior month.

We continue to successfully increase the number of wage reports SSI recipients submit using our automated SSI wage reporting systems. In September 2015, we processed 78,970 successful automated wage reports in time to prevent improper payments.

Table 2d shows our actions to reduce errors related to wages. Payment errors related to wages correspond to the "Inability to Authenticate Eligibility" category in Table 2.

Table 2d: Wages – Corrective Actions

Description	Target Completion	Status
Explore using wage information we receive from other sources for timely and accurate wage reports. Request that SSI applicants and recipients provide their consent for us to obtain information from other sources. Modify our policy and supporting operating process to allow the use of wage information we obtain from those sources. Automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments. Develop the capability to record in the SSI claims system an individual's permission for third parties to release personal information to us, such as wages.	FY 2016	We have allocated resources to integrate into our systems an SSI recipient's authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. We developed the requirements to make these changes to our systems. These changes are currently in development with implementation planned for FY 2016.
Perform a "proof of concept" (POC) to test whether automated posting of income information available through commercial wage databases offered by private payroll providers would allow us to reduce wage-related improper payments and save administrative resources.	Completed July 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample. We conducted a second POC in April 2015 to assess the same population to determine the value of monthly matching with a payroll provider after a period of time. The findings of the second POC support the first POC in that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.

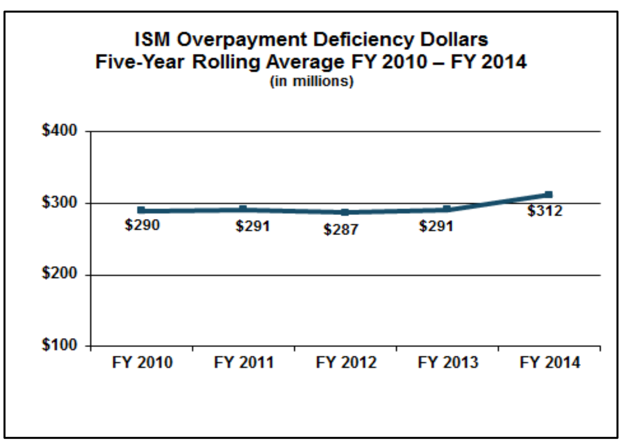
Description	Target Completion	Status
The *Bipartisan Budget Act of 2015* authorizes the Commissioner to: 1) enter into information exchanges with payroll data providers to obtain wage data to administer and prevent improper payments under the SSI and DI programs; and 2) require applicants and recipients to provide authorization to obtain payroll data. Individuals who provide such authorization will be afforded protection from certain sanctions and penalties.	Effective November 2, 2016	Enacted in the *Bipartisan Budget Act of 2015*.
The *Bipartisan Budget Act of 2015* also requires us to promulgate new regulations regarding modified wage reporting requirements for recipients and beneficiaries who provide authorization.	Effective no later than November 2, 2016	Enacted in the *Bipartisan Budget Act of 2015*.
Pursue an SSI RoboCalling pilot to encourage SSI recipients and deemors to use our automated wage reporting tools.	TBD	We began our SSI RoboCalling pilot on July 1, 2015. The pilot will run for 60 days, with a subsequent evaluation period.

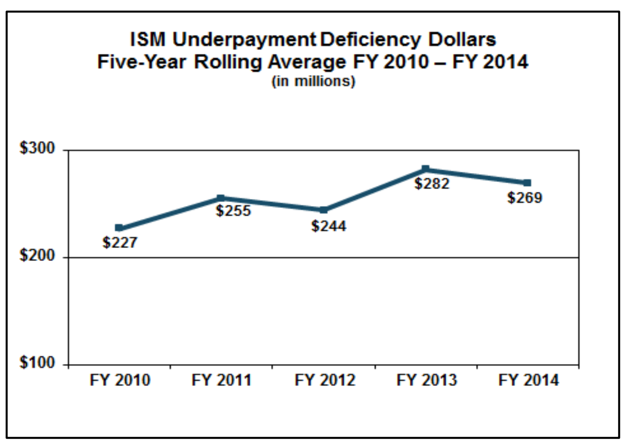
In-Kind Support and Maintenance

Description:

ISM is unearned income a recipient receives in the form of food, shelter, or both. Overpayments can occur when the recipient fails to report ISM. Underpayments can occur when the recipient's ISM amount is less than the amount used to calculate his or her monthly payment. Studies show that many of the errors attributed to ISM are due to the complexity of the statute and our regulations and policies concerning ISM. These policies are difficult for SSI recipients to understand, making it problematic for them to report changes in a timely manner.

Historical Figures:





Corrective Actions:

Table 2e shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the “Failure to Verify: Other Eligibility Data” category in Table 2.

Table 2e: ISM – Corrective Actions

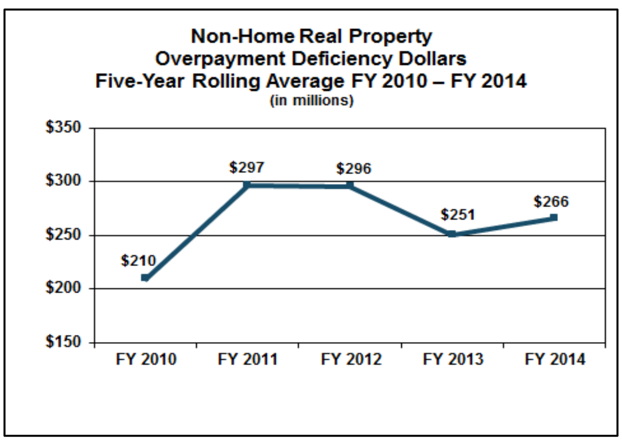
Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

Other Real Property

Description:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2010 through FY 2014, our FY 2014 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $266 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, will provide our technicians with an electronic process to identify undisclosed property owned by the applicant, recipient, or deemor.

Historical Figures:



Corrective Actions:

Real property ownership information is available publicly for all 50 States through commercial data providers (e.g., *LexisNexis/Accurint*). To test the value of using a commercial provider to identify undisclosed real property, we studied the use of *LexisNexis/Accurint* in SSI claims and redeterminations.

Table 2f shows our actions to reduce errors related to non-home real property. Payment errors related to non-home real property correspond to the “Failure to Verify: Financial Data” and “Inability to Authenticate Eligibility” categories in Table 2.

Table 2f: Other Real Property – Corrective Actions

Description	Target Completion	Status
Test in 100 FOs to determine the cost benefit of using *LexisNexis/Accurint* during initial claims interviews to identify real property owned by applicants or deemors that result in ineligibility for SSI.	Completed September 2013	FOs screened over 23,000 initial SSI claims against real property data in *LexisNexis/Accurint*. We analyzed the data to determine the cost benefit of using *LexisNexis/Accurint*, including improper payments prevented and time our FOs spent to query and review the real property data. We released our findings in December 2013. The findings indicate using this tool would be cost effective.
Test during high-error redetermination interviews (in the same 100 FOs) the use of *LexisNexis/Accurint* data to identify improper payments due to non-home real property ownership.	Completed September 2014	We began this study in December 2013, and it concluded in June 2014. We analyzed the data from over 19,000 redeterminations and delivered our findings and recommendations, along with the initial claims findings, in September 2014. The study found that using this process would be a cost effective method to reduce and prevent SSI overpayments.
Based on test findings, integrate third-party non-home real property data with SSI systems for use during initial claims and high error redetermination interviews.	FY 2016 through FY 2017	We are currently in planning and analysis to design the systems integration that will support this process. We are pursuing a request for funding to begin development in FY 2016. We have expanded our planning for real property management information to include management information on AFI requests and results.

Major Causes of Improper Administrative Payments

The major causes of improper administrative payments (overpayments and underpayments) include:

- Incorrect amounts paid (including duplicate payments);
- Health benefit debts due to insufficient employee pay (e.g., in a non-pay status);
- Retroactive timesheet corrections; and
- Retroactive personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2014 (for vendor and travel payments) related back to one instance where we transmitted a single day’s payment schedules twice in error to the Department of the Treasury (Treasury), after a day the office had been closed due to inclement weather. These schedules, which we certify and send to Treasury each business day for payment on our behalf, include all administrative payment records created in the accounting system the previous day. To prevent a future occurrence, we established an additional internal control to our procedures where, in unusual circumstances such as an office closure, management must approve any actions affecting the Treasury payment schedules.

- A major cause of payroll and benefits improper payments is health benefit debts that are created automatically when an employee, who has health benefits coverage, is in a nonpay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. We pay both the employee and agency share; therefore, the employee is indebted to the agency. Salary overpayments are another major cause of payroll and benefits improper payments. They occur when we process a retroactive personnel and/or timesheet correction. We recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 26 pay periods. If the results are negative, this indicates the employee was overpaid and the system creates a debt automatically. Retroactive corrections is another major cause, and it occurs when a retroactive personnel action that is past 26 pay periods cannot be processed through the electronic system; therefore, the debt must be entered manually. We are planning to perform a risk assessment in FY 2016 to determine how to address the major causes and create a corrective action plan. We plan to implement the corrective action plan in FY 2017.

Internal Control Over Payments

We have a strong internal control environment that has always included controls over our benefit payment and debt management processes. As a result, we are directly leveraging our existing internal control environment and assurance processes to provide reasonable assurance that our internal controls over improper payments are in place and operating effectively.

As part of our internal control environment, we have a well-established, agency-wide management control program as required by FMFIA. We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until we correct the weaknesses.

We established the IPOB to ensure that we are focusing on improper payment prevention, formulating clear and innovative strategies, and driving timely results agency-wide. The IPOB's role is to serve as the corporate team to: oversee all improper payment-related activities for the agency, collaborate and shape strategy, resolve cross-component differences, address challenges encountered by staff, and drive timely results.

For additional information about our internal control environment, please refer to the *Systems and Controls* section of this FY 2015 *Agency Financial Report* and to the section of this improper payments report titled Risk Assessment and Statistical Sampling.

Table 3: Internal Control Standards
FY 2015

Internal Control Standards	OASDI	SSI
Control Environment	3	3
Risk Assessment	3	3
Control Activities	3	3
Information and communication	3	3
Monitoring	3	3

Legend:

1. Controls are not in place to prevent improper payments.
2. Minimal controls are in place to prevent improper payments.
3. Controls are in place to prevent improper payments but there is room for improvement.
4. Sufficient controls are in place to prevent improper payments.

The effective internal controls we incorporate into our business processes and financial management systems, as well as the program integrity efforts mentioned throughout this report, support the Acting Commissioner's annual statement to the President and Congress on whether our:

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;
- Financial management systems are in conformance with government-wide requirements; and
- Internal controls over financial reporting are operating effectively.

We include the Acting Commissioner's annual statement of assurance, additional information on our review program, and our financial statement audit, in the *Systems and Controls* section of this FY 2015 *Agency Financial Report*. In addition, we include the auditor's report in the *Auditor's Reports* section of this FY 2015 *Agency Financial Report*.

Our strong overall internal control program contributes significantly to our efforts to reduce improper payments.

Accountability, Information Systems, and Other Infrastructure

Human Capital to Support Improper Payment Workloads

For our program integrity reviews, we completed increasing numbers of CDRs and SSI redeterminations between FY 2008 and FY 2012. However, due to budget constraints, we were unable to continue increasing this cost-effective work in FY 2013, and we actually experienced a decline in the number of full medical CDRs completed. In FY 2013, we completed a total of over 428,500 full medical CDRs and over 2.634 million SSI redeterminations. In FY 2014 and FY 2015, our budgets increased and, as a result, we were once again able to increase the number of full medical CDRs that we process. In FY 2014, we completed over 525,800 full medical CDRs and approximately 2.628 million SSI redeterminations. In addition, we completed approximately 247,200 work CDRs in FY 2014. In FY 2015, we completed over 799,000 full medical CDRs and approximately 2.267 million SSI redeterminations. In addition, we completed approximately 248,000 work CDRs in FY 2015.

Our program integrity work is labor-intensive and dependent on having the necessary trained staff to do the work. The same employees who handle our program integrity work also handle applications for benefits and other mission-critical work.

The *Budget Control Act* (Public Law 112-25) includes program integrity initiatives to reduce improper benefit payments under the DI and SSI programs. It allows adjustments to the government-wide discretionary caps to permit additional appropriations for purposes of conducting CDRs and SSI redeterminations to the extent that such appropriations for program integrity purposes exceed $273 million a year. For FY 2016, the funding adjustment authorized is $1.166 billion above the discretionary cap. If appropriated, the program integrity funding will enable us to complete 908,000 periodic medical CDRs and 2.622 million SSI redeterminations, an increase of nearly 118,000 CDRs and 367,000 SSI redeterminations from our FY 2015 Operating Plan (www.socialsecurity.gov/legislation/Agency Operating Plan FY2015.pdf) targets, resulting in significant savings of taxpayer dollars. Current estimates indicate that CDRs conducted in FY 2016 will yield a return on investment of about $9 on average in net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid program effects. Similarly, our estimates indicate that non-medical redeterminations conducted in 2016 will yield a return on investment of about $4 on average of net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects.

The President's FY 2016 Budget includes a special legislative proposal that will provide a dependable source of mandatory program integrity funding starting in FY 2017. The funding will enable us to eliminate the backlog of around 900,000 CDRs by the end of FY 2019 and prevent a new backlog from developing, which will help ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2012 and earlier, establish that we achieve significant program savings with this workload. Though our budget situation is improving, we need adequate, sustained funding to continue to increase our program integrity efforts. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021, including authorizing the cap adjustment level needed to accomplish the goals of the President's proposal.

Effective FY 2012, as required by IPERA, we are holding managers, program officials, and senior executives accountable for reducing improper payments. For these employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent, detect, and recover improper payments and meet targets to reduce improper payments.

Information Systems

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to ensure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This process enables us to fulfill our obligation to comply with Federal laws, such as FMFIA, which requires that we establish and maintain effective internal controls. CIRP automatically selects potentially suspicious transactions for management investigation based on predefined criteria. The selection criteria focus on suspicious activity rather than improper payments. However, if the transaction involves an issued payment, the reviewer looks at the accuracy of the payment to ensure that we complied with proper procedures.

In September 2013, we implemented the Public Facing Integrity Review system to monitor potentially fraudulent online transactions. We use this tool to investigate suspicious direct deposit transactions made through *my* Social Security online accounts and to take steps to mitigate any losses to our agency and customers.

We are also collaborating with Treasury on fraud detection activities. Together, we are developing a reclamation process to recover funds from financial institutions processing fraudulent automated enrollments for direct deposit of benefit payments. In addition, effective February 2015, we developed a specific alleged fraud indicator when individuals report that they did not receive their direct deposit payment. This new indicator will provide supporting evidence with which to pursue recovery of misdirected payments.

Other Infrastructure

As required by law, we conduct preeffectuation reviews (PER) on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State disability determination services (DDS). We have performed PER reviews on DI cases for many years, and since the enactment of Public Law 109-171 amending Section 1633(e)(1) of the *Social Security Act* in February 2006, we have performed PER reviews on 50 percent of the allowances involving SSI adults. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDSs for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2013 cases will result in lifetime savings (after all appeals) of:

- $424 million in OASDI benefit payments;
- $57 million in SSI Federal payments;
- $183 million in Medicare benefits; and
- $4 million in the Federal share of Medicaid payments.

Statutory and Regulatory Barriers

Our processes, policies, and regulatory and statutory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The President's FY 2016 Budget includes several legislative proposals that can help simplify our programs and better identify and prevent improper payments. We discuss some of these proposals in the following paragraphs.

Establish Workers' Compensation Information Reporting

Under this proposal, we would require States, local governments, private insurers, and other entities that administer workers' compensation and public disability benefits to report payment information to us. We would create a standardized reporting format, and develop and implement a system to collect and use the information to offset DI benefits and reduce SSI payments, as necessary. This proposal includes funding for developing and implementing the system. We currently rely on the disabled worker to report receipt of, and any changes to, workers' compensation and public disability benefits. The proposed required reporting and a system to receive the information timely are crucial to avoid improper payments that occur when we do not have information about the receipt or amount of workers' compensation and public disability benefit payments. Under the proposal, we would also provide pertinent collected information for child support enforcement purposes to the Secretary of HHS.

Move from Annual to Quarterly Wage Reporting

This proposal would restructure the Federal wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal would facilitate the implementation of automated enrollment of employees in existing workplace pensions. It could also improve program integrity and help reduce improper payments because more frequent reporting could provide more timely information we can use to administer our programs. Finally, increasing the frequency of wage reporting could enhance tax administration.

Government-Wide Use of Customs and Border Patrol Entry and Exit Data to Prevent Improper Payments

U.S. Customs and Border Protection (CBP) maintains data on when individuals enter and exit the United States. This entry and exit information may be useful in preventing improper payments in Federal programs that require U.S. residency to receive benefits, including the SSI program. This proposal would provide for the use of CBP entry/exit data to prevent improper payments.

Recapture of Improper Payments Reporting

Information on Payment Recapture Audit Program

In this section, we discuss how we meet the payment recapture audit requirements of IPERA for our OASDI and SSI programs and for our administrative payments. Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and for our administrative payments.

Table 4: Improper Payment Recaptures with and without Audit Programs
(dollars in millions)

Overpayments Recaptured through Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2015)	$11,309.05	$11,192.28	$3.17	$2.67	$22,507.17
Amount Recaptured (FY 2015)	$2,128.00	$1,235.93	$1.89	$1.95	$3,367.77
FY 2015 Recapture Rate	19%	11%	60%	73%	15%
FY 2016 Recapture Rate Target	19%	11%	100%	100%	15%
FY 2017 Recapture Rate Target	19%	11%	100%	100%	15%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2015)	$0.00	$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	$7.17
Amounts Recaptured (FY 2015)	$0.00	$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	$6.87

Notes:

1. This table comprises all identified and recovered benefit program overpayments from our benefit payment recapture audit program for the specified fiscal year. Overpayments identified or recovered in a specified year include debt established in prior years. We do not recapture benefit overpayments outside of our payment recapture audits for benefit payments.
2. The Amounts Identified for benefit payments are debt available for recovery in FY 2015. These amounts include debts identified in previous fiscal years that were not recovered or were determined to be uncollectible.
3. The Amounts Recaptured for benefit payments are FY 2015 recoveries from debt we had available for recovery in FY 2015, which include debts identified in prior years.
4. We do not consider every overpayment improper according to the definition contained in IPIA.
5. The recapture rate target for benefit payments is based on FY 2015 and prior years' experience and the anticipated growth of our benefit payments in FYs 2016-2017.
6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. These administrative payments are stated under the table heading titled "Other."
7. Totals for Amount Identified (FY 2015) and Amount Recaptured (FY 2015) for administrative payments are from our internal payment recapture audit in FY 2014. Overpayments identified or recaptured in FY 2014 include debt established in prior years.
8. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which we discuss in the Recapture of Improper Payments Reporting section of this improper payments report. We do not have separated totals for payroll and benefits or vendor and travel.
9. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2015 but could have occurred in a prior year.
10. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.
11. We return all amounts recaptured to the original appropriation from which the payment was made.

Benefit Payments

Payment Recapture Audit Program

For our OASDI and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts. We have a multi-pronged approach to conducting payment recapture audits for our OASDI and SSI programs. Our employees follow an internal review process to determine OASDI and SSI payment accuracy. We perform stewardship reviews, which measure the accuracy of payments to beneficiaries and recipients. Each month, specialists with extensive expertise in our surveys, benefit programs, business processes, applied statistics and statistical models, and business analytics, conduct our stewardship reviews. These employees review a sample of OASDI and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility and payment amount for the review period. We use these data to identify payment accuracy as well as our strengths and weaknesses, which allows us to target our resources to take corrective actions that yield the highest return on investment.

In our FOs, processing centers, and State DDSs, employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. A work CDR is a review of the eligibility requirements regarding a DI beneficiary's ability to perform SGA. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Our statistical predictive models help us prioritize the CDRs and redeterminations we work annually. We first work those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this improper payments report titled, Accountability, Information Systems, and Other Infrastructure, Human Capital to Support Improper Payment Workloads, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities; both identify cases where we should discontinue benefit payments. To support CDRs and redeterminations, we specifically request funding through the normal budget process, and the number of CDRs and redeterminations we can conduct each year depends on the level of resources appropriated to the agency.

Payment Recapture Audit Reporting

OMB Circular No. A-136, *Financial Reporting Requirements*, requires agencies that have programs or activities that are susceptible to significant improper payments to report on their payment recapture audit activities. For our OASDI and SSI benefit payments, we are unable to segregate our improper payments from our total overpayment universe. Not all overpayments are improper. Certain overpayments are unavoidable and not improper if the payment is required by statute, regulation, or court order, such as continued payments required by due process procedures. Table 4 shows our OASDI and SSI overpayment experience, inclusive of improper payments.

In addition, not all overpayments are collectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U. S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible.

Program Recovery Targets

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). We base our payment recapture recovery targets for benefit payments for FYs 2016-2017 on our FY 2015 experience, and they are shown in Table 4. Factors beyond our control affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. When jobs are plentiful and former OASDI beneficiaries and SSI recipients are working, we generally experience greater collections from our external debt collection tools.

Administrative Payments

Internal Payment Recapture Audit Program

We segment administrative payments into several categories, as shown in Table 4a to analyze and determine the vulnerability of these outlays to improper payments.

Table 4a: FY 2014 Administrative Expenses
(dollars in millions)

Payroll and Benefits	$6,337
State DDS	$1,872
***American Recovery and Reinvestment Act* (ARRA)[1]**	$141
Other Administrative Expenses[2]	$3,210
Total Administrative Expenses	$11,560

Notes:

1. ARRA expenses consist of National Support Center building costs only.
2. Other Administrative Expenses includes vendor, travel, transportation, rents, communications and utilities, printing and reproduction, other services, supplies and materials, equipment, land and structure, grants, subsidies and contributions, information technology systems, OASI and DI Trust Fund operations, other dedicated accounts, other reimbursable, interest and dividends, and insurance claims and indemnities.

We conduct annual payment accuracy reviews as part of our payment recapture audit program. Results from the audit program and quality review process continue to confirm that our administrative payments are well below the OMB threshold for reporting improper payments.

In the paragraphs below, we indicate what categories from Table 4a or payment types within a category we did not review because it was not cost effective. As required by OMB Circular No. A-136, we notified OMB in September 2015 that certain categories and payment types within a category are not cost effective to review, and therefore, are excluded from our payment recapture audit program.

For FY 2014, the internal recovery audit program included a review of the following payment categories from Table 4a Payroll and Benefits and Other Administrative Expenses.

Payroll and benefits account for a majority of our total administrative expenses. For FY 2014, we found approximately $2.457 million in improper payroll overpayments out of $6,337 million payroll payments, which yielded a 0.039 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

From the Other Administrative Expenses category, we review vendor and employee travel payments using an existing internal recovery audit program that contains a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify duplicate payments made to the same vendor, with the same invoice date, and for the same amount;
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system; and
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

In FY 2014, we reviewed $1.382 billion in vendor and travel payments out of $1.742 billion subject to review. We elected to exclude the following classes of vendor contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions of the contract; and
- Cost-type contracts subjected to final contract audit and completed prior to payment of the contractor's final invoice.

We identified total vendor and travel improper overpayments of $2.665 million, approximately 0.15 percent of total payments subject to review. As of the end of FY 2014, $719,603 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivable balance reflected the timing of when we issued the request for overpayment refund. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

Within the Other Administrative Expenses category, we exclude, from our payment recapture audit program, payments made via electronic payment systems because they are not cost-effective to review for the following reasons:

- The excluded payments are not very susceptible to improper payments because they utilize interfaced systems that require little manual intervention and include strong system controls to prevent improper payments.
- In November 2011, we awarded a contract to a vendor to perform a payment recapture audit of all our administrative payments, including the Other Administrative Payments category. Of $23,282 million payments reviewed (spanning 3 fiscal years), the auditors identified, and we confirmed and recovered,

improper payments totaling $29,191, approximately 0.00013 percent of the payments reviewed. The few improper payments identified were either vendor or DDS payments.

For State DDS payments, our 10 regional offices review amounts drawn against pre-approved DDS spending plans. For payment accuracy, our Office of the Inspector General (OIG) reviews the DDS payments on a rotational basis. We use our OIG's findings, if any, to enhance our payment controls.

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 1.2 percent of our total administrative expenses in FY 2014.

Not all administrative overpayments are collectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible.

Administrative Payments Recovery Targets

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. Table 4 shows our targets for our administrative payment recapture audit program. We strive to recover all administrative overpayments, and established a 100 percent target. We selected this recovery rate based on our in-house recovery experience for the past three fiscal years. We incur a small amount of administrative overpayments, mainly from former employees and duplicate payments to vendors. We use various tools for collection, including offset of subsequent vendor payments, the Treasury Offset Program (TOP), and Administrative Wage Garnishment (AWG).

Disposition of Payment Recapture Funds

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audits
(dollars in millions)

Program or Activity	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Other[1]	Original Purpose	Office of the Inspector General	Returned to Treasury
Benefit	$3,363.93	Benefit	Not Applicable	Not Applicable	$3,363.93	Not Applicable	Not Applicable	Not Applicable
Other	$3.84	Administrative	Not Applicable	Not Applicable	$3.84	Not Applicable	Not Applicable	Not Applicable

Note:

1. We return all amounts recaptured to the original appropriation from which the payment was made for both our benefit and administrative payments.

Aging of Outstanding Overpayments

OMB Circular No. A-136, *Financial Reporting Requirements*, requires agencies to have an aging schedule of the amount of overpayments identified through their payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured). Table 6 shows our aging schedule for our OASDI and SSI programs and our administrative payments.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits
(dollars in millions)

Program or Activity	Type of Payment	FY 2015 Amount Outstanding (0 to 6 Months)	FY 2015 Amount Outstanding (6 Months to 1 Year)	FY 2015 Amount Outstanding (Over 1 Year)	FY 2015 Amount Determined to not be Collectable
OASDI	**Benefit**	$792.82	$395.51	$1,760.81	$311.44
SSI	**Benefit**	$644.39	$433.73	$3,122.90	$299.19
Payroll and Benefits	**Administrative**	$1.14	$1.03	$1.67	$0.20
Vendor and Travel	**Administrative**	$0.71	$0.00	$0.01	$0.00
TOTAL		$1,439.06	$830.27	$4,885.39	$610.83

Notes:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:
   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.
2. Totals for administrative payments are from our internal payment recapture audit in FY 2014.

Do Not Pay Initiative

Section 5(a)(2) of IPERIA states that Federal agencies should review, prior to any payment and award, as appropriate, the databases within the Do Not Pay (DNP) Initiative. IPERIA Section 5(d)(3) also states that, by June 1, 2013, agencies must match their payments against DNP databases.

The Treasury DNP system data sources available during FY 2015 that are applicable to our OASDI and SSI benefit payments include the General Services Administration's Excluded Parties List System (EPLS) and our public version of the Death Master File (DMF). Below we describe our use of EPLS and our production of the DMF and Prisoner Update Processing System (PUPS), therefore, precluding our use of the Treasury DNP system at this time.

Excluded Parties List System: Prior to making an award to a contractor, we use the General Services Administration's System for Award Management to determine a contractor's eligibility. We do not award contracts to contractors who are debarred or suspended. We check the EPLS listing prior to award to make this determination.

List of Excluded Individuals/Entities (LEIE): We currently comply with regulations to use the HHS's LEIE, which accomplishes the same purpose as EPLS. As prescribed in our policy, the State DDSs are required to check LEIE at least annually. LEIE includes the names of providers excluded from federally funded health care programs. The DDSs also verify medical licenses, credentials, and certifications with State medical boards. In addition, because the DDSs are State agencies, they do not have direct access to DNP.

Death Master File: We provide the public DMF to the National Technical Information Service who in turn provides the file to DNP. The DMF is an extract of death information created from our own internal records (i.e., the Numident). These records contain basic information, such as name, Social Security number (SSN), date of birth, and date of death. We update death information on the Numident daily based on information from acceptable reporters (e.g., States, funeral homes, and family members). We distribute reported death information to our related records using a complex systems interface.

We produce both the public DMF and a full file of death information. The full file of death information contains State-reported death data, and as mandated by Section 205(r) of the *Social Security Act*, we share it with a limited number of Federal agencies. The public DMF, used for the Treasury DNP system, does not currently contain State death information.

Prisoner Information: To comply with the *Bipartisan Budget Act of 2013*, we collaborated with Treasury to provide current prisoner information starting in FY 2014 for purposes of DNP. We planned to share our prisoner information with Treasury in two phases. In Phase 1, we shared our current prisoner information, and in Phase 2, we plan to provide our current and additional data elements. In FY 2015, we sent DNP prisoner files as baseline data for testing purposes. We also began integration testing with Treasury for sending them our daily recurring prisoner data for DNP. The Memorandum of Understanding with Treasury currently allows us to send approximately 1.1 million prisoner records to Treasury, and for Treasury to send that data to IRS for the upcoming tax season.

Our Actions and their Frequency to Prevent Improper Payments

We have pre- and post-payment internal controls for our benefit payment records including:

Pre-payment Internal Controls: Benefit Payment Intercept Process

We continuously screen beneficiary payment records for any adverse information that prohibits issuing benefit payments (e.g., reliable reports of death, incarceration, and overpayments). When we identify these situations, we systematically intercept and hold the monthly benefit payments.

Historically, we have performed payment intercepts for each monthly payment cycle; however, we did not capture management information until FY 2014. The table below contains payment intercept information reported in October 2014 through September 2015.

Table 7: Results of the Do Not Pay Initiative in Preventing Improper Payments
OASDI Payment Intercepts
(dollars in millions)

Type of Payment	Number of Payments Intercepted	Amount of Payments Intercepted	Number of Payments Disbursed	Amount of Payments Disbursed	Percent of Intercepted Payments	Percent of Intercepted Dollars
Death	504,569	$632.94			0.071%	0.080%
Incarceration	7,999	$7.87			0.001%	0.001%
Total	512,568	$640.81	709,582,471	$791,418.87	0.072%	0.081%

Notes:

1. This table represents OASDI payment intercepts for benefits payable September 2014 through August 2015.

2. The Percent of Intercepted Payments and the Percent of Intercepted Dollars represents the percentage of total payments **before** we apply our intercept process, not the percentage of total payments after we intercept payments.
3. Monthly reports are generated the month after the benefits are payable. For example, any payments intercepted from the August 2015 benefits are shown in the September 2015 intercept report.
4. If we discover a suspension or termination event after the creation of our payment files, our intercept process prevents issuance of that payment.

Similar to OASDI, prior to creating our payments files, we continuously check the SSI records for any adverse information that would prohibit issuing benefit payments.

Post-payment Internal Controls: We have several post-payment internal controls to track and resolve discrepancies related to allegations of death, including:

- The Numident Death Match – This match identifies discrepancies between the Numident and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.
- The Death Alert Control Update System – This system captures death data, which updates the Numident via batch processing.
- The Electronic Death Registration process – This system verifies recorded death data to check the deceased person's SSN and other information against the Numident. Our system performs this check in real-time.

Recovery of Overpayments Due to Death

The Federal Government uses the reclamation process to recover benefit payments paid via direct deposit to the financial account of a beneficiary who died, became legally incapacitated, or a beneficiary who died before the date of the payment(s). To recover OASDI and SSI payments funds from U.S. financial institutions, we must send reclamation requests within 120 days of the date we learned of a beneficiary's death. A financial institution may protest any reclamation if it believes we did not initiate reclamations timely.

For overpayments due to death that we paid the beneficiary by paper check, we have procedures for recovering both OASDI and SSI improper payments. Below are examples of our actions:

If the overpaid OASDI beneficiary is deceased, we attempt to recover the overpayment by:

- Withholding any underpaid benefits due the deceased beneficiary;
- Withholding any lump-sum death payment payable to individuals on the same earnings record;
- Proposing adjustment against any person who was living in the same household and receiving benefits on the overpaid individual's earnings record at the time the overpaid individual died; or
- Sending a letter to the endorser or the deceased's estate requesting repayment.

If the overpaid SSI recipient is deceased, we will notify the estate of the overpayment and seek recovery from:

- A liable representative payee;
- A liable spouse;
- A sponsor of an alien recipient (under certain circumstances); or
- Any individual who committed fraud to cause the overpayment.

Efforts to Reduce Fraud, Waste, and Abuse in the OASDI and SSI Programs

The following key initiatives enhance our program integrity efforts. We revised our administrative sanctions policy to ensure that we consistently apply sanctions throughout our programs, which will enable us to better address fraud.

Death Reports

Description

Our current systems do not always process death data effectively, resulting in discrepancies between our Numident database and programmatic systems. The Numident, created in 1972, is our electronic database of our records of SSNs assigned since 1936. We have three projects to address these problems:

- Identify beneficiaries age 115 and over who have been in continuous suspense for 7 years or more and terminate their benefits;
- Conduct an ongoing monthly comparison to ensure deaths recorded on the Numident are also recorded in our programmatic systems; and
- Perform a large-scale redesign of our death processing system to eliminate the causes of incorrect death reporting and improve the sharing of information between our programmatic systems.

The following key initiatives enhance our program integrity efforts. By improving our death data processing, we will ensure that our records are in agreement, reflect death information accurately, and thereby prevent erroneous payments.

Table 8 shows our actions to reduce errors related to death reporting.

Table 8: Death Reports

Description	Target Completion	Status
Terminate records of beneficiaries over 115 years old who are in long-term suspense status.	Ongoing	In FY 2013, we established a new code in our OASDI programmatic system to terminate records for aged individuals in long-term suspense where we did not receive notification of death. In FYs 2013-2015, we terminated approximately 16,129 records using the new code. In September 2015, we automated the selection and processing and terminated 981 selected cases in the first run. We will continue to maintain this effort as a monthly cyclical initiative.
Medicare Non-Utilization Project	Ongoing	FO employees contacted beneficiaries age 90 and above who have not used their Medicare benefits for 3 or more years. Through early September 2015, we have completed 3,845 of 4,869 (79 percent) of the cases, while 948 were marked “unable to locate” (UTL). For those UTL cases, we will attempt to contact the beneficiary next year.
Conduct Numident death match reviews.	Ongoing	We released alerts to our FOs to resolve cases where we have death information for an individual on our Numident, but the individual continues to receive benefits or will soon receive a payment. From June 2013 through the end of FY 2014, our FOs have resolved over 89,000 alerts generated from the Numident death match. In FY 2015, our FOs have resolved over 20,900 alerts.
Death Alert, Control, and Update System redesign.	FY 2017	The Death Processing Redesign is a multi-year project to improve our death report processing. The redesign will make improvements affecting multiple systems to reduce improper payments. In FY 2014, we created new intelligent, web-based death entry screens known as the Death Information Processing System (DIPS). These screens enforce death policy, enhance security, and reduce keying errors. In FY 2015, we expanded the use of these screens to include individuals receiving payments and those that were not. In FY 2016, we plan to make the Numident our official repository for death information, prospectively, improve the availability of death information to all of our systems, and develop and collect management information. In FY 2017, we plan to: • Redesign the DIPS screens and integrate them into the person centered path; • Provide additional management information reporting.

In addition to our efforts listed above, while performing our study on centenarians (i.e., individuals who are at or over 100 years of age) in 2012, we found several deceased widows still receiving OASDI payments many years after their date of death. In these cases, the beneficiary's own account number (BOAN) was missing from the Master Beneficiary Record (MBR) on the SSN under which benefits were paid. When this condition exists, we face an increased likelihood that we may make improper payments after death because the SSN on the auxiliary or survivor death record has no direct link to the MBR. We searched the entire MBR and identified 5,125 aged spouses or widows receiving benefits who did not have a BOAN established on the SSN on which they are receiving benefits. Our field sites have completed the initial analysis of the cases.

Our June 2014 report, *Entitled Aged Spouses or Widows Without Their Own Social Security Numbers on the Master Beneficiary Record*, details our efforts to resolve the cases identified in our MBR search. In summary, almost all of the beneficiaries still alive and receiving monthly benefits now have their BOAN posted to the MBR. Ongoing incorrect monthly benefits paid to deceased beneficiaries have stopped. This cleanup lessened the likelihood of improper payments occurring in the future due to a reported death that cannot match an SSN on the MBR. This was a one-time cleanup operation since a BOAN should now be present on the MBR. Beneficiaries are now required to have, or have applied for, an SSN when filing for OASDI benefits.

Data Exchanges

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.

Description

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, work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Currently, we conduct 25 CMAs with various Federal partners to obtain benefit payment data, wage data, unemployment data, fugitive felon identification, savings securities, workers' compensation, residency information, and nursing facility admission data that we use to determine eligibility and offset benefits for our programs. The total annual savings attributed to these CMAs is over $4.5 billion, with an annual cost of approximately $193 million yielding a positive cost benefit ratio of 23.5 to 1.

Table 9 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

Table 9: Data Exchanges

Description	Target Completion	Status
Identify SSI recipients out of the country for longer than 30 days. This effort is to obtain a data exchange agreement with the Department of Homeland Security (DHS) that provides the necessary information from DHS' systems to make SSI improper payment determinations.	FY 2018	We are planning to perform a study of an initial set of data before implementing a full data exchange. We anticipate completion of all required documents by January 2016 and plan to complete the exchange and the study analysis in FY 2016. If the study findings support an ongoing data exchange, we will enter into a CMA with DHS. Full CMAs take approximately 12 months to develop; therefore, the earliest implementation date for a full data exchange to begin is FY 2018.

Description	Target Completion	Status
Obtain Federal payroll data via the Office of Child Support Enforcement's (OCSE) quarterly wage data, to compare to current DI recipients in order to reduce improper payments by timely suspending monthly payments if data suggests the income meets certain thresholds at which the benefit should be reduced or suspended. This data exchange is limited to Federal employees.	January 2016	The Office of the General Counsel (OGC) is currently developing the new CMA with the OCSE to obtain new hire, quarterly wage, and unemployment insurance (UI) data for DI recipients. The scheduled completion date is November 13, 2015 for a FY 2016 1st quarter exchange.
Expand the use of UI data for the DI program to reduce improper payments where the benefit should be suspended due to SGA.	January 2016	OGC is currently developing the new CMA with OCSE to obtain new hire, quarterly wage, and UI data for DI recipients. The scheduled completion date is November 13, 2015 for a FY 2016 1st quarter exchange.

Administrative Sanctions

To further target fraud in our programs, we developed a strategic initiative focused on imposing administrative sanctions.

Description

Current OASDI beneficiaries or SSI recipients who intentionally misrepresent facts to receive their benefits are subject to administrative sanctions punishable by suspension of their benefits for 6, 12, or 24 months. We implemented a new process to ensure that FO staff consistently apply administrative sanctions in a manner that curbs fraudulent behavior, helps to reduce improper payments, and preserves the public's trust in our programs. We provided refresher administrative sanctions interactive video training in January 2015 and produced a video on demand later that month.

Table 10 shows our actions to reduce errors by imposing administrative sanctions.

Table 10: Administrative Sanctions

Description	Target Completion	Status
Implement the new administrative sanctions business process nationally.	Completed September 2013	We published instructions and conducted an interactive video training session for all FO staff.
Evaluate the effectiveness of the new process we implemented nationally.	Completed June 2015	In April 2014, we completed a preliminary evaluation report covering implementation through January 2014. We issued a final evaluation report of the new process in June 2015. The extended evaluation period provides a more comprehensive measure of the effectiveness of the new procedure.

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 combating 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. We provide additional information on this activity in our *Systems and Controls* section of this FY 2015 *Agency Financial Report*.

Agency Efforts to Collect Overpayments in the OASI, DI, and SSI Programs

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected $3.363 billion in OASDI and SSI benefit overpayments in FY 2015 at an administrative cost of $0.07 for every dollar collected. We collected $16.60 billion over a 5-year period (FYs 2011-2015). Since 2004, our cumulative recoveries are $34.34 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. From 1992 through September 2015 our external collection techniques have yielded $5.591 billion in benefit overpayment recovery. Table 12 provides a description of each of our external collection techniques and a summary of the results.

We suspend or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards. Generally, we terminate or suspend collection action when the debtor cannot repay, we are unable to locate the debtor, or the cost of collection is likely to be more than the amount recovered. Terminating collection action is a temporary or conditional write-off in that the debt remains on the debtor's record.

If the debtor becomes entitled to benefits in the future, we will collect the debt by appropriate and available methods.

We developed a system to handle TOP, credit bureau reporting, and AWG. Because the system includes more than TOP and is the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

In September 2013, we enhanced ECO to collect delinquent debts through Treasury's State Reciprocal Program. The State Reciprocal Program allows States to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent non-tax debt by offset of State payments.

As authorized by Public Law 110-246, in May 2012, we enhanced ECO to collect delinquent debts through TOP beyond the previous 10-year statute of limitations. In April 2014, some members of the public alleged that they received no prior notice that Treasury would offset their eligible payments to recover their delinquent overpayments. In response to the allegations, effective April 14, 2014, our Acting Commissioner ordered a halt of TOP referrals for debts 10 years or more delinquent, pending a thorough review of our responsibility and discretion under the law. We concluded our preliminary review in July 2014. Through our preliminary review, we determined that we correctly applied our regulations, policies, and procedures when we referred delinquent debts to TOP. We are exploring policy options to address using TOP for childhood beneficiaries.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we will begin planning and analysis for the Overpayment Redesign Initiative. Through this initiative, we will build a new comprehensive overpayment system that will enable us to record, track, collect, and report our overpayments more efficiently. We expect development of the Overpayment Redesign Initiative to be a multi-year effort. As resources permit, we will also expand the Non-Entitled Debtors (NED) program to collect additional debts from debtors who have never been entitled to OASDI benefits or SSI payments. The NED initiative will be developed in a series of releases. Currently, NED captures payments made to representative payees after the death of a title II beneficiary, and overpayments to representative payees prior to the death of the title II beneficiary for which the payee is responsible.

In the future, we will also implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. In addition, we will assess the use of private collection agencies in debt collection. Prior to implementing these additional debt recovery tools, we will need to address many factors. For example, assess which of these tools to pursue; e.g., penalties and fees or indexing debt balances, the impact on our current collection policies and procedures, our post-entitlement notices as well as the need for new notices, and feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective. Due to higher priorities to address other mandatory debt collection initiatives, we currently do not have a schedule of when we will explore these additional debt collection authorities.

Collecting Debt

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts.

Description

In October 2013, we began notifying debtors of our ability to offset eligible State payments to collect their debt. In addition, to continue to expand our use of TOP, we intend to notify debtors of our ability to offset eligible State payments to collect their delinquent debt. These changes also support debt management compliance and performance as required by OMB.

Table 11 shows enhancements to improve our OASDI and SSI debt recovery efforts.

Table 11: Collecting Debt

Description	Target Completion	Status
Collect delinquent OASDI and SSI debts through TOP/State Reciprocal Program.	TBD	We implemented the required systems enhancements in 2013. We began sending mandatory notification to delinquent debtors in October 2013, additional notifications are on hold pending the resumption of TOP notices to debtors with debts 10 or more years delinquent.
Complete initial notification to debtors for debts 10 years or more delinquent for possible use of TOP to recover the debts.	TBD	We are exploring policy options to address use of TOP for childhood beneficiaries.
Pursue TOP business process improvements.	Completed February 2015	In February 2015, we implemented the Address Verification Project, which will improve our current TOP notification process. We now obtain mailing addresses for individuals before we attempt to mail our pre-offset notices by using a contracted address provider who makes every effort to obtain current address information. This change allows us to reach more debtors in our initial attempt to notify them of a potential offset of a Federal or State payment.
Conduct a Year 2049 (partial withholding) risk assessment.	Completed June 2015	We contracted with an independent firm to document and assess the impact of our current process to record, monitor, and report partial withholding of programmatic debt that extends beyond the year 2049 due to a system limitation. The contractor issued a final report on June 30, 2015, containing the results of its evaluation, including identified process weaknesses, risks, their potential impact, and recommendations for mitigating the weaknesses and risks. We will address the findings of the final report in 2016.

Table 12 shows the external collection techniques we use to recover OASDI and SSI overpayments.

Table 12: Cumulative Programmatic Debt Recovery Methods Through FY 2015
(dollars in billions)

Recovery Method	Inception	Description	OASDI	SSI	TOTAL
TOP	1992	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset. We collected $346.9 million in FY 2015 through this initiative.	$1.669	$1.063	$2.732
Credit Bureau Reporting[1]	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of $79.8 million in FY 2015.	$0.551	$0.385	$0.937
Cross-Program Recovery	2002	Cross-program recovery collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments. We collected $148.5 million[2] through cross-program recovery in FY 2015.	$0.227	$0.985	$1.212
NED[3]	2005	NED is an automated system used to control recovery activity for debtors who are not entitled to benefits (e.g., representative payees who receive payments after the death of a beneficiary). We used NED to recover $3.5 million in FY 2015.	$0.036	Not Applicable	$0.036[3]
AWG	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions) pay. We collected $15.1 million through this process in FY 2015.	$0.137	$0.027	$0.164
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $123.4 million in FY 2015.	Not Applicable	$1.483	$1.483
Total			$2.033	$3.558	$5.591

Notes:

1. The credit bureau reporting totals are a subset of TOP collections.
2. The cross-program recovery total for FY 2015 includes all cross-program recoveries; however, the cumulative cross-program recovery totals include only those totals we can track since inception.
3. NED is a subset of TOP and AWG collections.

Refer to the Debt Management section of this FY 2015 *Agency Financial Report* for information on our programmatic and administrative debt activity.

Appendix

GLOSSARY OF ACRONYMS

A

Adjustment Act	Federal Civil Penalties Inflation Adjustment Act of 1990
ADP	Automated Data Processing
AERO	Automated Earnings Reappraisal Operation
AFI	Access to Financial Institutions
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act of 2009
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

B

BOAN	Beneficiary's Own Account Number

C

CAATs	Computer Assisted Auditing Techniques
CAP	Cross-Agency Priority
CBP	Customs and Border Protection
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CDREO	Continuing Disability Review Enforcement Operation
CFO	Chief Financial Officers Act of 1990
CIRP	Comprehensive Integrity Review Process
CMA	Computer Matching Agreement
CMP	Civil Monetary Penalty
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CQR	Continuous Quality Review
CSRS	Civil Service Retirement System

D

DATS	Death Alerts Tracking System
DCPS	Disability Case Processing System
DDS	Disability Determination Services
DHS	Department of Homeland Security
DI	Disability Insurance
DIPS	Death Information Processing System
DMF	Death Master File
DNP	Do Not Pay
DOJ	Department of Justice
DRAA	Disaster Relief Appropriations Act of 2013

E

ECO	External Collection Operation
EPLS	Excluded Parties List System
ESF	Earnings Suspense File

F

FECA	Federal Employees' Compensation Act
FEGLI	Federal Employee Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FIS	Financial Information System
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FO	Field Office
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPO	Government Pension Offset
GPRMA	Government Performance and Results Modernization Act of 2010
GS	General Schedule
GSA	General Services Administration

H

HHS	Department of Health and Human Services
HI	Hospital Insurance
HI/SMI	Hospital Insurance/Supplemental Medical Insurance
HR	Human Resources

I

IG	Inspector General
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IPOB	Improper Payment Oversight Board
ISM	In-Kind Support and Maintenance
IT	Information Technology

L

LAE	Limitation on Administrative Expenses
LEIE	List of Excluded Individuals/Entities
LENS	Leadership Essentials for New Supervisors

M

MD&A	Management's Discussion and Analysis
MBR	Master Beneficiary Record

N

NAFC	National Anti-Fraud Committee
NCC	National Computer Center
NED	Non-Entitled Debtors
NSC	National Support Center

O

OA	Occupancy Agreement
OAFP	Office of Anti-Fraud Programs
OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCSE	Office of Child Support Enforcement
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management

P

PC	Processing Center
PER	Preeffectuation Review
POC	Proof of Concept
PP&E	Property, Plant, and Equipment
PTF	Payments to Social Security Trust Funds
Pub. L. No.	Public Law Number
PUPS	Prisoner Update Processing System

R

RAFC	Regional Anti-Fraud Committee
RIB-LIM	Retirement Insurance Benefit Limitation
RRI	Railroad Retirement Interchange
RSI	Required Supplementary Information

S

SA&A	Security Assessment and Authorization
SECA	Self Employment Contributions Act
SERS	Social Security Electronic Remittance System
SFFAS	Statement of Federal Financial Accounting Standards
SF-133	Budget Execution Reports
SGA	Substantial Gainful Activity
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIMWR	Supplemental Security Income Mobile Wage Reporting
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSN	Social Security Number
SSOARS	Social Security Online Accounting and Reporting System

T

TBD	To Be Determined
Title VIII	Special Veterans Benefits
TOP	Treasury Offset Program
Treasury	Department of the Treasury

U

UI	Unemployment Insurance
U.S.	United States
U.S.C.	United States Code
USSGL	United States Standard General Ledger
UTL	Unable to Locate

V

VA	Department of Veterans Affairs

W

WEP	Windfall Elimination Provision

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Deputy Commissioner	Carolyn W. Colvin
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Chief Strategic Officer	Ruby D. Burrell
General Counsel	Andy Liu
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