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 highlights our mission as set forth in our Agency Strategic Plan. We identify the major programs we administer and provide a brief explanation of our organization.

The Overview of Our Fiscal Year 2020 Goals and Results provides a high-level discussion of our goals and our key mission results. We link our agency-wide Strategic Goals with our Priority Goals, display our fiscal year 2020 operating expenses by Strategic Goal and Objective, highlight how our results contribute to achieving our Strategic Goals and Objectives, and discuss how we plan to address the challenges we face.

The Financial Impact of the Coronavirus Pandemic section summarizes the financial impact of the coronavirus pandemic on our agency, including additional budgetary resources we received and the financial and performance impact of these additional resources.

The MD&A also addresses our financial performance in the Highlights of Financial Position. 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.

Finally, Systems, Controls, and Legal Compliance describes the actions we have taken to address our management control responsibilities. The Management Assurances subsection 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, as amended.
OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

OUR MISSION

Deliver quality Social Security services to the public.

SOCIAL SECURITY BENEFITS AMERICA

Few government agencies affect the lives of as many people as we do. In accordance with law and regulations, we administer three programs under the Social Security Act:

- **Old-Age and Survivors Insurance**: Established in 1935, the Old-Age and Survivors Insurance (OASI) program provides retirement and survivors benefits to qualified workers and their family members. In fiscal year (FY) 2020, we paid OASI benefits to an average of approximately 55 million beneficiaries each month, and paid about $944 billion to OASI beneficiaries through the fiscal year. Learn more about retirement benefits on our website (www.ssa.gov/benefits/retirement/). Also, learn more about survivors benefits on our website (www.ssa.gov/benefits/survivors/).

- **Disability Insurance**: Established in 1956, the Disability Insurance (DI) program provides benefits for workers who become disabled and their families. In FY 2020, we paid DI benefits to an average of approximately 10 million beneficiaries each month, and paid about $145 billion in DI benefits through the fiscal year. Learn more about DI benefits on our website (www.ssa.gov/benefits/disability/). Also, read stories from DI beneficiaries on our website (www.ssa.gov/disabilityfacts/stories.html).

- **Supplemental Security Income**: Established in 1972, the Supplemental Security Income (SSI) program provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2020, we paid SSI benefits to a monthly average of approximately 8 million recipients (approximately 2.7 million of whom concurrently receive DI benefits), and paid about $55 billion in SSI Federal benefits and State supplementary payments through the fiscal year. Learn more about SSI benefits on our website (www.ssa.gov/benefits/ssi/).

In addition, we support national programs administered by other Federal and State agencies, as required by law, such as Medicare, Employees Retirement Income Security Act of 1974, Coal Act, Supplemental Nutrition Assistance Program (formerly Food Stamps), Help America Vote Act, State Children’s Health Insurance Program, E-Verify, Medicaid, and Federal Benefits for Veterans.

Did You Know? We’re With You from Birth

Most parents apply for a child’s Social Security number at birth, usually through the hospital. When the time comes for that first job, the number is already in place.
HOW SOCIAL SECURITY BENEFITED AMERICA IN FISCAL YEAR 2020

• We paid a combined total of over $1 trillion in Social Security and SSI benefits.
• Approximately 87 percent of the American population age 65 and over received Social Security benefits.
• On average each month, about 1.1 million blind or disabled children under age 18 received SSI benefits.

HOW WE SERVED AMERICA IN FISCAL YEAR 2020

• Completed nearly 13 million applications for new and replacement Social Security Number cards;
• Performed over 2.3 billion automated Social Security number verifications for employers;
• Posted over 288 million earnings items to workers’ records;
• Handled over 34 million calls on our National 800 Number;
• Assisted over 20.6 million visitors in field offices;
• Mailed an estimated 350 million notices;
• Registered over 7 million users for my Social Security, our online portal for the public to conduct business with us;
• Processed nearly 221 million online transactions;
• Completed over 8.2 million claims for benefits;
• Completed nearly 586,000 hearing dispositions;
• Reviewed over 192,000 cases in the Appeals Council;
• Defended almost 12,000 disability cases in Federal court;
• Conducted over 463,000 full medical continuing disability reviews (CDR);
• Performed over 2.1 million non-medical redeterminations of SSI eligibility;
• Conducted 24 computer matching agreements for data exchanges with various Federal partners, resulting in $7.9 billion in annual savings; and
• Provided access to the Social Security Statement (Statement), mailing approximately 19 million paper Statements and allowing beneficiaries to access their Statements online more than 63 million times.

Did You Know? We’re With You When You Start Work

Your employer verifies your Social Security number with us at every new job. Doing so helps reduce fraud and improves the accuracy of your earnings records. Employers collect Federal Insurance Contribution Act or FICA withholdings, and report earnings electronically, which is how we track your earnings and you can earn Social Security retirement, disability, and survivors coverage for you and your family. A worker earns up to four Social Security credits each year and needs 40 credits, or 10 years of work, to qualify for retirement benefits. Keep track of your earnings record or obtain an estimate of your benefits by creating a my Social Security account on our website (www.ssa.gov/myaccount).
Approximately 62,000 Federal employees and 15,000 State employees serve the public from a network of more than 1,500 offices across the country and around the world. Most of our employees directly serve the public or provide support to employees who do. We normally serve over 40 million visitors each year in our offices nationwide. However, this year we did not have as many visitors in our offices because we suspended in-person service due to the coronavirus (COVID-19) pandemic. We are handling most work online or over the telephone, with limited in-person service for critical needs by appointment only. We focused our efforts on making more of our work electronic so that we can handle it remotely. To help support the public’s access to the local offices, we made our local office phone numbers available. As a result, our field office employees answered a significant increase in phone calls while maintaining a low busy rate.

Our National 800 Number handled over 34 million calls in FY 2020. Callers conducted various business transactions by speaking directly with a customer service representative. Customers also used our 24-hour automated services, some of which include requesting benefit verification letters, ordering replacement Medicare cards, and obtaining claim status updates. In March 2020, we moved our physical telephone service center operations to a virtual environment in response to the COVID-19 pandemic. We experienced a significant increase in call volume due to service changes in our field offices. However, we quickly identified a creative solution where we began routing calls on a parallel network, which allowed us to increase the phone answering capacity on our National 800 Number and reduce wait times.

The public can also do business with us online. Our suite of online services is available 24 hours a day, providing a convenient, safe option for anyone interested in conducting business with us online. Online services allow customers to view their Social Security records, find information about our programs and services, or file for benefits. In FY 2020, the public conducted nearly 221 million transactions through our online services.

Our processing centers (PC) handle complex Social Security retirement, survivors, and disability claims and a number of actions that ensure beneficiaries are paid accurately. The PCs have been focusing on reducing a backlog of pending actions. At the end of FY 2020, there were over 3.7 million actions pending.

State agency disability determination services (DDS) make disability determinations for initial claims, reconsiderations, and CDRs. Many of the DDSs were not ready for remote work at the beginning of the pandemic. We quickly worked with our DDS partners in each of the 50 states, Puerto Rico, and the District of Columbia, all of whom were under different guidelines for stay-at-home orders and re-opening. We provided creative solutions to maintain mission critical workloads in a remote environment.

Administrative law judges (ALJ) in our hearings offices and administrative appeals judges in our Appeals Council decide appealed cases. In response to the pandemic, we transitioned to telephone-only hearings. This transition was critical in allowing us to continue to hear cases. We are implementing online video hearings to offer secure hearings from any private location with a secure internet connection. For more information about our organization and its functions, visit our Organizational Structure webpage (www.ssa.gov/org/).

Did You Know? We Provide Service Updates during the COVID-19 Pandemic

Subscribe to receive alerts from us when we add or change information on our COVID-19 Updates webpage (www.ssa.gov/coronavirus/). You also may follow us on Facebook (www.facebook.com/socialsecurity) and Twitter (www.twitter.com/socialsecurity) and subscribe to our blog (blog.ssa.gov).
OVERVIEW OF OUR FISCAL YEAR 2020 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 Years (FY) 2018–2022 Agency Strategic Plan (www.ssa.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 Services Effectively;
- Strategic Goal 2: Improve the Way We Do Business; and
- Strategic Goal 3: Ensure Stewardship.

Our Planned Performance: In February 2020, we published our Annual Performance Plan for FY 2021, Revised Performance Plan for FY 2020, and Annual Performance Report for FY 2019 (www.ssa.gov/agency/performance) as part of the President's FY 2021 Budget Request (www.ssa.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, finalizes our performance commitments for FY 2020, and describes how we ensure data integrity of our performance information. The budgeted workloads published in our APR correspond to the key workload measures contained in the FY 2020 Operating Plan (www.ssa.gov/budget/FY20Files/2020OP.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 publish the final APR containing our actual FY 2020 results in February 2021. The final APR will be available on our Annual Performance Plan and Annual Performance Report website (www.ssa.gov/agency/performance/).

This Agency Financial Report summarizes our key initiatives, overall performance results, and financial activities to carry out our mission in FY 2020. The following table shows our operating expenses by Strategic Goal and Objective.
### FY 2020 Operating Expenses by Strategic Goal and Strategic Objective

(Dollars in Millions)

<table>
<thead>
<tr>
<th>Strategic Goal 1: Deliver Services Effectively</th>
<th>$8,482</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objective 1.1: Improve Service Delivery</td>
<td>$7,511</td>
</tr>
<tr>
<td>Strategic Objective 1.2: Expand Service Delivery Options</td>
<td>$971</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Goal 2: Improve the Way We Do Business</th>
<th>$1,983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objective 2.1: Streamline Policies and Processes</td>
<td>$191</td>
</tr>
<tr>
<td>Strategic Objective 2.2: Accelerate Information Technology Modernization</td>
<td>$1,792</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Goal 3: Ensure Stewardship</th>
<th>$2,387</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objective 3.1: Improve Program Integrity</td>
<td>$1,756</td>
</tr>
<tr>
<td>Strategic Objective 3.2: Enhance Fraud Prevention and Detection Activities</td>
<td>$55</td>
</tr>
<tr>
<td>Strategic Objective 3.3: Improve Workforce Performance and Increase Accountability</td>
<td>$431</td>
</tr>
<tr>
<td>Strategic Objective 3.4: Improve Organizational Effectiveness and Reduce Costs</td>
<td>$145</td>
</tr>
</tbody>
</table>

**Our Priorities:** In support of the GPRMA, we established three Agency Priority Goals (APG), which are 24-month goals reflecting our top priorities. We routinely review our progress and take actions to improve our outcomes, promote innovation, and deliver favorable results.

For FYs 2020–2021, our APGs are:

1. Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision.
2. Improve the integrity of the Supplemental Security Income program by focusing our efforts on reducing overpayments.
3. Improve the customer experience by reducing the Average Speed of Answer on the National 800 Number.

Learn more about APGs on the Performance.gov website (www.performance.gov/SSA/), and see how we focus leadership priorities, set outcomes, and measure results to drive significant progress and change.
We highlight the approaches we used to achieve our FY 2020 performance measures; outline some of the challenges we faced meeting these goals; and provide an analysis of our performance. We base our planned performance measures and targets on the President’s Budget request. If necessary, we adjust our resources to ensure we can complete our budgeted workloads and agency goals within our budget.

We have a total of 27 performance measures (including three APGs) that we use to track agency progress towards meeting our Strategic Goals and Strategic Objectives. Overall, we met our targets for 14 of the 27 performance measures. Final data for 5 of the 27 performance measure targets were not available at the time we published this report. Additionally, we discuss 9 of the 27 performance measures in our Strategic Goals sections, based on our Commissioner’s priorities and other focus areas that demonstrate our efficiency and effectiveness in meeting the needs of the people we serve.

Final data for all performance measures will be published in our Annual Performance Plan for FY 2022, Revised Performance Plan for FY 2021, and Annual Performance Report for FY 2020 in February 2021.

The following table shows our full performance structure including the Strategic Goals, Objectives, and performance measures and results.
### FY 2020 Performance at a Glance

#### Strategic Goal 1: Deliver Services Effectively

<table>
<thead>
<tr>
<th>Strategic Objective 1.1: Improve Service Delivery</th>
<th>Performance Measure 1.1a: Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision (APG)</th>
<th>Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 1.1b: Improve the customer experience by reducing the Average Speed of Answer on the National 800 Number (APG)</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 1.1c: Reinstate reconsideration to implement a national uniformed disability process at step 2 of the appeal stage</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 1.1d: Improve customer service by reducing the number of actions pending at the processing centers</td>
<td>Met</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Objective 1.2: Expand Service Delivery Options</th>
<th>Performance Measure 1.2a: Redesign our website to enhance the user’s online experience</th>
<th>Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 1.2b: Maintain customer satisfaction with our online services above ForeSee’s Threshold of Excellence (80)</td>
<td>Not Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 1.2c: Increase the number of successfully completed online transactions</td>
<td>Met</td>
</tr>
</tbody>
</table>

#### Strategic Goal 2: Improve the Way We Do Business

<table>
<thead>
<tr>
<th>Strategic Objective 2.1: Streamline Policies and Processes</th>
<th>Performance Measure 2.1a: Improve the disability determination process by increasing the percentage of medical evidence received electronically</th>
<th>Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 2.1b: Increase the percentage of beneficiaries whose successful work outcomes within three years of assignment resulted in a payment to an Employment Network (EN) or State Vocational Rehabilitation (VR) agency</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 2.1c: Update the Listing of Impairments</td>
<td>Not Met</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Objective 2.2: Accelerate Information Technology (IT) Modernization</th>
<th>Performance Measure 2.2a: Modernize databases, replacing and retiring outdated technology and designs</th>
<th>Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 2.2b: Continue to modernize the IT infrastructure</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 2.2c: Modernize our customer communications infrastructure</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 2.2d: Expand Self-Service for Claims Status Inquiries</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 2.2e: Provide uninterrupted access to our systems during scheduled times of operation</td>
<td>Not Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 2.2f: Maintain an effective cybersecurity program</td>
<td>TBD</td>
</tr>
</tbody>
</table>

#### Strategic Goal 3: Ensure Stewardship

<table>
<thead>
<tr>
<th>Strategic Objective 3.1: Improve Program Integrity</th>
<th>Performance Measure 3.1a: Improve the integrity of the Supplemental Security Income program by focusing our efforts on reducing overpayments (APG)</th>
<th>TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 3.1b: Maintain a high payment accuracy rate by reducing overpayments, in the Old-Age, Survivors, and Disability Insurance program</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 3.1c: Ensure the quality of our decisions by achieving the State disability determination services decisional accuracy rate for initial disability decisions</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 3.1d: Modernize our Debt Management System</td>
<td>Not Met</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Objective 3.2: Enhance Fraud Prevention and Detection Activities</th>
<th>Performance Measure 3.2a: Expand our Cooperative Disability Investigations (CDI) coverage</th>
<th>Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 3.2b: Mature the Enterprise Fraud Risk Management Program</td>
<td>Met</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Objective 3.3: Improve Workforce Performance and Increase Accountability</th>
<th>Performance Measure 3.3a: Strengthen manager accountability for effective performance management</th>
<th>Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 3.3b: Enhance the leadership pipeline through a modernized national leadership development program</td>
<td>Met</td>
</tr>
<tr>
<td></td>
<td>Performance Measure 3.3c: Ensure new supervisors receive timely training to improve their leadership skills and competencies</td>
<td>TBD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Objective 3.4: Improve Organizational Effectiveness and Reduce Costs</th>
<th>Performance Measure 3.4a: Reduce our real property footprint</th>
<th>Met</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance Measure 3.4b: Implement the electronic Consent Based Social Security Number Verification (eCBSV) Service</td>
<td>Not Met</td>
</tr>
</tbody>
</table>
STRATEGIC GOAL 1: DELIVER SERVICES EFFECTIVELY

Strategic Objectives

- Improve Service Delivery
- Expand Service Delivery Options

Create an account: www.ssa.gov/myaccount

We selected the following performance measures to demonstrate our progress with delivering services effectively:

Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision (APG)

<table>
<thead>
<tr>
<th>Target</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Achieved</td>
<td>Not Met</td>
<td>Not Met</td>
<td>Met</td>
<td>Met</td>
<td>Not Met</td>
</tr>
<tr>
<td>Performance</td>
<td>98%</td>
<td>96%</td>
<td>98%</td>
<td>98%</td>
<td>92%</td>
</tr>
</tbody>
</table>

Analysis: Eliminating our hearings backlog remains our highest priority. We made noteworthy progress with reducing our hearings pending. Despite the impact of the pandemic on hearing postponements, we reduced our hearings pending to 418,313—157,108 fewer cases from the FY 2019 end of year pending of 575,421. We improved our average processing time from 506 days in FY 2019 to 386 days, a reduction of nearly 4 months.

Did You Know? We’re Here to Help if You Become Disabled

One in four of today’s 20-year-olds will become disabled before they retire.

Our disability programs provide monthly benefits for severely disabled workers, including our wounded warriors, and their dependents. Learn more about Social Security disability facts on our website (www.ssa.gov/disabilityfacts/facts.html).
Improve the customer experience by reducing the Average Speed of Answer on the National 800 Number (APG)

Analysis: Reducing the time it takes to reach an agent when calling our National 800 Number is a focus area for improvement. We hired new telephone agents and streamlined and enhanced our training to allow new employees to handle targeted calls more quickly. While the COVID-19 pandemic initially disrupted our National 800 Number service, we procured additional telework equipment to quickly enable our telephone agents to answer calls remotely. In FY 2020, we handled over 34 million calls with an average speed of answer of approximately 16 minutes.

Improve customer service by reducing the number of actions pending at the processing centers

Analysis: Reducing the number of pending actions at the PCs remains a focus area for improvement. In FY 2019, the PCs had to rework a number of complex and time-consuming cases based on the outcome of the court case, Steigerwald v. Berryhill, which contributed to the increasing pending actions. We ended FY 2019 with 4.5 million pending PC actions. While we continued working these complex cases in FY 2020, we focused on fixing the underlying problem so it does not recur. In FY 2020, we continued to
focus on high priority workloads and reduced the pending to over 3.7 million cases, a decrease of nearly a million compared to FY 2019. The reduction in pending cases is attributable to several factors, including increased staffing and overtime, automation enhancements, targeted training, and the deferral of certain workloads that could result in overpayments and pursuit of debt collection.

Maintain customer satisfaction with our online services above ForeSee’s Threshold of Excellence (80)

![Customer Satisfaction Chart]

Analysis: This performance measure targets overall customer satisfaction with eight agency online services, including our home page (www.ssa.gov), based on the Verint ForeSee E-Government Satisfaction Index. During the COVID-19 pandemic, we remain committed to ensuring that our customers can conduct business with us online. In FY 2020, our average ForeSee score was 84.5, exceeding the ForeSee Threshold of Excellence of 80. (Our ForeSee Threshold of Excellence target was established in FY 2016.)

Increase the number of successfully completed online transactions

![Online Transactions Chart]

Analysis: Online transactions represent instances where a customer successfully completes actions via the internet. These transactions do not require interaction with an SSA employee. Examples include: filing a
We selected the following key initiatives to discuss our progress with delivering services effectively:

**REDUCE THE HEARINGS BACKLOG**

Eliminating the hearings backlog to reduce the time it takes to get a hearing decision remains one of our most critical priorities. Our Compassionate And REsponsive Service (CARES) plan is a multi-pronged approach to eliminate the hearings backlog through increased decisional capacity, business process efficiencies, and IT innovations. With the CARES plan, special hearings backlog funding we received,¹ and our dedicated employees, we significantly reduced the average wait for a hearing decision by nearly four months in FY 2020. We expect to eliminate the hearings backlog in FY 2021.

In FY 2020, we shifted to conducting hearings only by telephone as a result of the COVID-19 pandemic. We have experienced a higher than normal number of hearing postponements due to this change. However, we will be deploying Microsoft Teams software that will allow us to remotely hold video hearings anywhere applicants and their representatives can privately access a camera-enabled smart phone, tablet, or computer. This technology provides another convenient and safe option to hold a hearing. Despite these challenges, we reduced the number of claimants waiting for an ALJ decision. At the close of FY 2020, we decided nearly 92 percent of aged cases, which are cases that began the fiscal year 270 days or older, with 19,807 cases remaining.

¹ P.L. 115-245 – *Consolidated Appropriations Act, 2019* provided $100 million in dedicated funding to address the hearings backlog.
REDUCE THE PROCESSING CENTER BACKLOG

Our PCs handle the most complex benefit payment decisions, in addition to issuing benefit payments after appeals decisions, determining and collecting debt, and correcting records. During the COVID-19 pandemic, we made more of our work available electronically. We continued to focus on high priority workloads such as getting people paid, and we suspended workload actions that would have an unfavorable outcome for our beneficiaries during a critical time in the pandemic.

In FY 2020, we initiated a project to analyze debt we have determined to be delinquent and uncollectible for potential termination of collection by the agency. By terminating collection activity on uncollectible debt, we will better reflect current receivables on our financial statements as well as reduce the number of actions from the PC pending backlog. However, while we are terminating active collection efforts, the debt will remain on the individual’s agency record to be collected in the future, where appropriate and applicable. If eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action.

ENHANCE THE ONLINE EXPERIENCE

We continue to explore ways to enhance the customer service experience by providing convenient, user-friendly, and secure online self-service options. Transforming our digital services is the next step to improve our service to the public. Now that many of our applications are online, we are determining what services we should add, and how we can make our existing electronic services easier to use. We are also exploring customer-centered work processes that offer more self-service options and reduce wait times.

In FY 2020, we awarded contracts for the ssa.gov website redesign. Additionally, we completed a content audit for the full website and updated navigation to retirement information on our site for the public’s use. We also updated our website to include a COVID-19 resource and a frequently asked questions page.

ENHANCE my Social Security

my Social Security is our online portal for the public that provides a convenient, safe online option for people interested in viewing their Social Security records or conducting business with us. my Social Security offers a broad range of services including applying for a change of address or direct deposit information, getting personal retirement benefit estimates, and requesting a replacement Social Security Number card. my Social Security has a user-friendly design to allow broad access from various devices. Since we released my Social Security, we registered nearly 53 million users. In FY 2020, we registered more than 7 million users compared to 6.9 million new users in FY 2019.

In FY 2020, we added service options to my Social Security to improve the user experience. We enhanced our representative payee portal to allow individual representative payees to view and print benefit verification letters for beneficiaries they represent. They can also view, print, or request a mailed copy of a replacement 1099 or 1042S tax form on behalf of their beneficiaries.
EXPAND INTERNET REPLACEMENT OF SOCIAL SECURITY NUMBER CARDS

Replacing Social Security cards is one of our most requested services and the number one reason our customers visit our field offices. We are pursuing other service options so that members of the public do not need to visit an office for this service. For example, adult U.S. citizens who meet certain criteria, may apply for a replacement card using our Internet Social Security Number Replacement Card (iSSNRC) online application, which can be accessed with a my Social Security account. We have a data exchange agreement with the American Association of Motor Vehicle Administrators to verify the identity of iSSNRC applicants online by matching State driver’s license data. In FY 2020, we expanded iSSNRC to 5 additional States, making the iSSNRC option available in 45 States and the District of Columbia, and processed over 2 million replacement cards online.

iSSNRC Coverage Map
STRATEGIC GOAL 2: IMPROVE THE WAY WE DO BUSINESS

Strategic Objectives

- Streamline Policies and Processes
- Accelerate Information Technology Modernization

Social Security Benefit Verification Letter

Available online at: www.ssa.gov/myaccount/

We selected the following performance measures to demonstrate our progress toward improving the way we do business:

Provide uninterrupted access to our systems during scheduled times of operations

Analysis: Maintaining uninterrupted access to our systems during scheduled times of operation is essential to serving the public. In FY 2020, amid the COVID-19 pandemic we rapidly enabled our personnel with full telework capability. We quickly supported over 85,000 remote users versus our previous peak of just over 17,000 users. We remotely managed all of our customer service channels (online, telephone, network and with partner agencies), and implemented innovative solutions to meet agency personnel and public service needs. Our service continuity challenges resulted in system availability percentages slightly under our target.
Maintain an effective cybersecurity program

<table>
<thead>
<tr>
<th>Target</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Achieved</td>
<td>Met</td>
<td>Met</td>
<td>TBD</td>
</tr>
<tr>
<td>Performance</td>
<td>“Managing Risk” score achieved</td>
<td>“Managing Risk” score achieved</td>
<td>TBD</td>
</tr>
</tbody>
</table>

Analysis: Maintaining our cybersecurity is critical to sustaining public trust in our services. We maintain a comprehensive, agency-wide information security program to protect our network, information, and communication assets. We continue to meet the Department of Homeland Security cybersecurity target, as well as achieve an overall score of “Managing Risk” on the Federal Cybersecurity Risk Management Assessment. Our annual results demonstrate our commitment to protecting the data the American public entrusts to us. FY 2020 data will not be available until January 2021.

We selected the following key initiatives to discuss our progress toward improving the way we do business:

**INCREASE THE NUMBER OF PEOPLE WITH DISABILITIES WHO RETURN TO WORK**

Many beneficiaries who are disabled want to work and may attain self-sufficiency with adequate support. The Ticket to Work program and the VR cost reimbursement program help beneficiaries transition to employment and reduce reliance on disability benefits. We continue to improve our outreach to beneficiaries about employment support programs. Ongoing mailings, marketing efforts, monthly webinars, and an interactive presence on social media have led thousands of beneficiaries to connect with ENs and State VR agencies to get the services they need to return to work.

In FY 2020, we continued employment outreach to beneficiaries through ongoing mailings, marketing efforts, webinars, and social media. To maximize participation rates and earnings outcomes, we continued to test and apply changes to our Ticket to Work program notices. Learn more about Ticket to Work success stories on our website (choosework.ssa.gov/success-stories/index.html).

**MODERNIZE THE SOCIAL SECURITY STATEMENT**

To improve customer service and the public’s understanding of our programs, we are modernizing the online Social Security Statement available through the my Social Security portal. The modernized online Statement will not only continue to provide the public with their earnings records, Social Security and Medicare taxes paid, and future benefit estimates, it will also provide access to tools, calculators, supplemental fact sheets, and other applicable information in a central location. The information provided will be customized based on the user’s age and earnings history, providing a more relevant experience. Together, it will assist individuals with retirement planning and learning about benefit eligibility. In FY 2020, we continued adding new features and integrating the my Social Security online Statement with additional benefit estimation tools through the Benefit Entitlement Center (BEC).

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2 The BEC is a self-service solution within the my Social Security portal that allows customers to file an application, appeal a decision, and manage benefits.
INFORMATION TECHNOLOGY MODERNIZATION

We remain committed to improving service to the public. Three years ago, we began a multi-year IT Modernization Plan (www.ssa.gov/open/materials/IT-Modernization-Plan.pdf) with $370 million in dedicated appropriations from Congress. It is important that we continually review our modernization plan to ensure it is flexible enough to keep up with rapid technology changes and future customer needs. Therefore, we have updated our plan, building on our progress in addressing foundational modernization needs and incorporating input from public and private technology experts, our frontline employees, and the public we serve.

Our IT Modernization Plan, 2020 Update (www.ssa.gov/open/materials/IT-Modernization-Plan-2020-Update.pdf) emphasizes our focus on service modernization, which includes building additional online services; improving and expanding automated services available through our National 800 Number; and providing additional self-service and expedited services in our field offices.

In FY 2020, we quickly pivoted during the COVID-19 pandemic to mitigate service interruption to the public by ensuring our network supported maximum remote work for our employees. We provided creative solutions to maintain continuity of service in a remote environment and improved our overall digital service delivery channels.

STRENGTHEN OUR INFORMATION SECURITY PROGRAM AND MODERNIZE OUR CYBERSECURITY INFRASTRUCTURE

Maintaining the public’s trust in our ability to protect sensitive data housed in our systems requires continuous monitoring of threats and continual improvement and strengthening of our cybersecurity program. We emphasize the importance of information security through ongoing operational refinement and maturation of security components in accordance with government regulations.

In FY 2020, we refined and adapted how we detect and prevent cyber threats and enhanced our efforts to attract and retain cybersecurity professionals. We automated our detection and response processes to identify threats, mitigate vulnerabilities, and limit the impact of potential cyberattacks. We also improved our capacity to prevent, detect, respond to, and defend against cyber threats.
STRATEGIC GOAL 3: ENSURE STEWARDSHIP

Strategic Objectives

- Improve Program Integrity
- Enhance Fraud Prevention and Detection Activities
- Improve Workforce Performance and Increase Accountability
- Improve Organizational Effectiveness and Reduce Costs

Antifraud facts: www.ssa.gov/antifraudfacts/

Our Strategic Objective to improve program integrity remains a focus area for improvement. We selected the following performance measures to demonstrate our efforts to ensure stewardship:

Improve the integrity of the Supplemental Security Income program by focusing our efforts on reducing overpayments (APG)

Analysis: We rely on Supplemental Security Income (SSI) recipients to timely report changes in income, resources, and living arrangements in order to accurately determine program eligibility and payment amount. Without timely reports, we may incur improper payments.

In addition to our key program integrity workloads, we have an aggressive strategy, utilizing various initiatives, to reduce improper payments: identifying Windfall Elimination Provisions and Government Pension Offsets, improving our Access to Financial Institutions program, identifying non-home real property, enhancing the SSI wage-reporting process, conducting quality reviews, reducing underpayments to vulnerable populations, increasing post-entitlement accuracy, improving death data processing, expanding Benefit Payment Offset, conducting a debt risk assessment, modifying our Treasury Offset Program, data matching with the Department of Homeland Security, and developing additional data exchange agreements.
In FY 2020, we expanded our partnership with the Federal Government-wide Payment Integrity Community of Practice to share experiences, best practices, and common solutions to our common challenges. FY 2020 data will not be available until summer 2021.

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

![Graph of decisional accuracy rates](image)

Analysis: The public expects us to make timely and accurate decisions. In FY 2019, we demonstrated the quality of our decisions by achieving a decisional accuracy of 97 percent for initial disability decisions. We have consistently met our target for this measure since FY 2010. FY 2020 data will not be available until January 2021.

We selected the following key initiatives to discuss our efforts to ensure stewardship:

**PROMOTE TIMELY WAGE REPORTING**

Changes in a person’s work and wages are leading causes of improper payments in the DI and SSI programs. Currently, we use a number of sources to verify wage amounts, including pay stubs submitted by recipients, annual earnings data from the Internal Revenue Service, and payroll information from The Work Number. However, verifying wages is a manual process, and we continue to rely on beneficiaries to report wages.

In FY 2017, we implemented an online tool, myWageReport (myWR), which allows DI beneficiaries to report earnings on computers, mobile devices, and smartphones through my Social Security. In FY 2018, we expanded myWR to allow SSI recipients and concurrent (SSI and DI) beneficiaries, their representative payees, or their deemors (i.e., an ineligible spouse or parent living with the recipient) to report earnings electronically. In FY 2020, we completed our analysis of online wage reporting submission failures and implemented a systems enhancement to reduce unsuccessful transmissions. We implemented refresher myWR training for our employees, which improved DI beneficiary and SSI recipient wage reporting opportunities.

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3 Decisional accuracy is the percentage of correct initial State disability determinations. It is based on the net error rate (i.e., the number of corrected deficient cases with changed disability decisions), plus the number of deficient cases not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed.

4 The Work Number is an online wage verification company we approved to provide primary evidence of wages when pay slips are unavailable. Wage and employment information are provided in real time.
ENHANCE FRAUD PREVENTION AND DETECTION ACTIVITIES

Combatting fraud is a priority and we take our responsibility to prevent and detect fraud seriously. We centralized our anti-fraud efforts to take advantage of data analytics and predictive models to prevent fraud, ensure consistent anti-fraud policies, refine employee training, and solidify relationships with other Federal, State, and private partners to identify individuals who wrongfully obtain OASDI and SSI payments.

We are focused on a holistic analytical approach to our fraud risk management, and prioritize our anti-fraud efforts consistent with the Payment Integrity Information Act of 2019 and the Government Accountability Office’s framework for managing fraud risks in Federal programs. We integrate data from multiple sources and use industry-proven predictive analytics software to identify high-risk transactions for further review. With these models, we better identify suspicious and evolving patterns in our workloads and detect fraudulent actions before we make payments. In FY 2020, we initiated a risk assessment to identify fraud risks related to the SSI program. We deployed an updated fraud allegation referral process that provides employees a modern streamlined interface to report fraud, and improves our ability to analyze allegation data.

Did You Know? Scammers Are Pretending to be Government Employees

Scammers claiming to be from the Social Security Administration try to scare people and trick them into giving the scammers personal information and money.

DO NOT BE FooLED! IF YOU RECEIVE A SUSPICIOUS CALL:

1. Hang up!
2. DO NOT give them money or personal information!
3. Report the scam at oig.ssa.gov. For more information, visit our website (www.ssa.gov/antifraudfacts/).
We work with the Office of the Inspector General to jointly operate CDI units with State disability determination services and State and local law enforcement. In FY 2020, we added CDI units in Cheyenne, WY; Las Vegas, NV; Manchester, NH; and Omaha, NE. We ended the fiscal year with 49 CDI units covering 44 States, the District of Columbia, and 5 U.S. territories. The following map shows CDI unit coverage through FY 2020.

Cooperative Disability Investigations Coverage
LOOKING FORWARD – FACING OUR CHALLENGES

Public service drives every decision we make. We are addressing our challenges to improve our customers’ experience by reducing National 800 Number, field office, and hearings wait times; modernizing our disability policies and our IT; and augmenting in-person services with digital and automated service options. For a listing of our top management and performance challenges identified by our Office of the Inspector General, including our actions to address the challenges, please refer to the Inspector General Statement on the Social Security Administration’s Major Management and Performance Challenges section.

Despite the challenges we face due to the COVID-19 pandemic, we continue to make progress in priority areas. We are improving National 800 Number wait times and busy signals, reducing the backlogs in our PCs, accelerating our IT modernization plans to make service more customer-centric, and, most notably, moving closer to our goal of eliminating the disability hearings backlog in FY 2021. The hearings backlog is now at its lowest level in 18 years.

The COVID-19 pandemic may continue to impact the way we deliver our service. It has pressed us to accelerate planning and implementation of additional online, telephone, and virtual services, and the expanded use of data exchanges to obtain evidence. Where possible, we adapted business processes to convert in-office workloads to electronic processes. We continue to work to streamline processes and policies, and identify ways to reduce the need for in-person service. We are identifying outdated rules and regulations that we will consider updating or removing. For information on legislative proposals that can help simplify our programs, please refer to the Barriers section in the Payment Integrity report.

We are working to become an even stronger, more responsive and modern organization.
**OVERVIEW**

The coronavirus (COVID-19) pandemic has affected the way we provide service to the public. Our highest priority during this unprecedented time has been to provide mission-critical services while safeguarding the health of the public and our employees. We efficiently transitioned to telework to keep safe our employees and the public we serve. We are conducting most workloads through online and telephone service with limited in-office service for critical situations. We deferred certain workloads and the resulting overpayment debt collections to protect beneficiaries’ income and healthcare coverage during a critical time in the COVID-19 pandemic. In addition, we implemented a streamlined waiver process for certain overpayment debts that accrued during a portion of the COVID–19 pandemic period. Please refer to Note 1, Summary of Significant Accounting Policies, and the Debt Collection and Management subsection in the Other Reporting Requirements section for information on the financial impact of our deferral of certain workloads and the resulting overpayment debt collections.

**CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT**

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to protect the American people from the public health and economic impacts of COVID-19. The CARES Act provided that eligible taxpayers would receive an economic impact payment (EIP) of up to $1,200 for individuals or $2,400 for married couples. Individuals would also receive $500 for each qualifying dependent child. The Internal Revenue Service issued payments to many eligible individuals based on Federal tax return information for either 2019 or 2018. Based upon their income, some of our Old-Age, Survivors, and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients are not required to file Federal tax returns. The CARES Act provided us with $38 million, available until September 30, 2021, to assist the Department of the Treasury (Treasury) with carrying out EIPs to all eligible OASDI beneficiaries and SSI recipients, and to coordinate with Treasury on a public awareness campaign regarding the payments. We worked closely with Treasury’s Internal Revenue Service and Bureau of Fiscal Service to establish data exchanges and to conduct public outreach to increase public awareness regarding EIPs.

As of September 30, 2020, we have obligated approximately $35 million of the $38 million the CARES Act provided us. Of the amount obligated, we spent approximately $19 million for a national social media and public service announcement campaign to provide information and awareness regarding the EIPs. In addition, during FY 2020, we received calls related to EIPs. We used speech analysis to identify calls to our National 800 Number specifically related to the EIP program and applied an average cost per call to estimate the agency expense. We spent over $2 million on these activities in FY 2020. The following table shows the categories of expenses incurred during FY 2020 for our work with the EIP program.
CARES Act Expenses Related to the EIP Program1
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Social Media and Public Service Announcements</td>
<td>$14</td>
</tr>
<tr>
<td>National 800 Number Calls Related to the EIP Program</td>
<td>$2</td>
</tr>
<tr>
<td>Payroll (Non-National 800 Number)</td>
<td>$14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$30</strong></td>
</tr>
</tbody>
</table>

Note:
1. We have an additional $5 million in National Social Media and Public Service Announcements obligations, not yet expensed.

We are on track to obligate the remainder of the $38 million in funding received for these activities by September 30, 2021. Budgetary resources that remain available for FY 2021 amount to $3 million.

In addition, the CARES Act provided us with $300 million, available until September 30, 2021, for our COVID-19 pandemic response efforts. As of September 30, 2020, we obligated approximately $276 million of the $300 million we received for our COVID-19 response efforts. The following table shows the categories of expenses incurred in FY 2020 to respond to COVID-19.

CARES Act Expenses Related to our Response to the COVID-19 Pandemic1
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$139</td>
</tr>
<tr>
<td>Administrative Leave – Employees</td>
<td>$51</td>
</tr>
<tr>
<td>Disability Determination Services Non-Productive Time (Leave)</td>
<td>$59</td>
</tr>
<tr>
<td>Information Technology Systems</td>
<td>$6</td>
</tr>
<tr>
<td>Supplies</td>
<td>$2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$257</strong></td>
</tr>
</tbody>
</table>

Note:
1. We have an additional $11 million in Information Technology Systems obligations, not yet expensed, and $8 million in Property, Plant, and Equipment, not yet depreciated.

We are on track to obligate the remainder of the $300 million in funding received for these activities by September 30, 2021. Budgetary resources that remain available for FY 2021 amount to $24 million.

Please refer to Note 18, COVID-19 Activity, for additional information.

Section 4003 of the CARES Act, Emergency Relief and Taxpayer Protection, allows Treasury to make loans, loan guarantees, and other investments of up to $500 billion to eligible businesses, States, and municipalities impacted by the COVID-19 pandemic. This legislation designates the Old-Age and Survivors Insurance (OASI) Trust Fund as the recipient of any interest and other proceeds associated with the loans, loan guarantees, and other investments after repayments of any amounts provided are made to Treasury. While the legislation designates the OASI Trust Fund as a recipient of these proceeds, their value is not known as of September 30, 2020. However, given the restrictions around interest rates and provisions around interest due on certain loans or investments, we do not believe that the proceeds will be material to our financial statements.
On August 8, 2020, the President issued a Presidential Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster. The memorandum directed Treasury to use authority pursuant to 26 U.S.C. 7508A to defer the withholding, deposit, and payment of certain payroll tax obligations during the period of September 1, 2020, through December 31, 2020. Please refer to Note 1, Summary of Significant Accounting Policies, for additional information on the financial impact of the memorandum on the agency.

Did You Know? We’re Here to Provide Assistance after the Loss of a Loved One

The loss of a loved one can be both emotionally and financially difficult. Eligible widows, widowers, and children may receive survivors benefits. The number of credits needed to provide benefits for survivors depends on the worker’s age when he or she dies. Unmarried children who are under age 18 (up to age 19 if attending elementary or secondary school full time) or who are disabled before age 22 may be eligible to receive Social Security benefits when a parent dies. Learn more about Social Security survivors benefits on our website (www.ssa.gov/planners/survivors/ifyou.html)
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 are located in the Financial Section of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2018 through 2020 (excluding key amounts from our Statements of Social Insurance and Statements of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

Table of Key Financial Measures¹
(Dollars in Billions)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(end of fiscal year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>$2,949.1</td>
<td>$2,945.9</td>
<td>$2,939.3</td>
</tr>
<tr>
<td>Less Total Liabilities</td>
<td>$119.5</td>
<td>$118.9</td>
<td>$117.0</td>
</tr>
<tr>
<td>Net Position (assets net of liabilities)</td>
<td>$2,829.6</td>
<td>$2,827.0</td>
<td>$2,822.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(end of fiscal year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Costs</td>
<td>$1,157.7</td>
<td>$1,101.3</td>
<td>$1,038.6</td>
</tr>
<tr>
<td>Total Financing Sources²</td>
<td>$1,160.3</td>
<td>$1,106.0</td>
<td>$1,041.3</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$2.6</td>
<td>$4.7</td>
<td>$2.7</td>
</tr>
</tbody>
</table>

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 located in the Financial Section of this report.

Balance Sheet: The Balance Sheet, located in the Financial Section of this report, 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 2020 are $2,949.1 billion, a 0.1 percent increase over the previous year. Of the total assets, $2,932.1 billion relate 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 98.6 percent of our assets, increased $7.5 billion over the previous year. In FY 2020, Accounts Receivable, Net decreased $3.9 billion to $9.5 billion as a result of our Allowance for Doubtful Accounts.
methodology change to better reflect current receivables on our financial statements and our deferral of certain overpayment debt activities due to the COVID-19 pandemic.

Liabilities grew in FY 2020 by $0.6 billion primarily because of the growth in benefits due and payable, which is attributable to an increase in the number of OASI beneficiaries, and the 1.6 percent cost of living adjustment (COLA) provided to beneficiaries in 2020. The majority of our liabilities (90.5 percent) consists 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 $2.6 billion to $2,829.6 billion, reflecting the higher growth in assets than liabilities.

**Statement of Net Cost:** The Statement of Net Cost, located in the Financial Section of this report, 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 2020, our total net cost of operations increased $56.4 billion to $1,157.7 billion, primarily due to a 2.2 percent increase in the number of OASI beneficiaries, and the 1.6 percent COLA provided to beneficiaries in 2020. The OASI, DI, and SSI net cost increased by 5.8 percent, 1.2 percent, and 4.7 percent respectively. Operating expenses decreased for the OASI, DI, and SSI programs by 5.9 percent, 7.5 percent, and 3.3 percent, respectively.

In FY 2020, our total benefit payment expenses increased by $56.7 billion, a 5.2 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2020 and FY 2019 for each of our three major programs. The FY 2020 DI and SSI benefit payment expense increases are primarily due to: 1) increased bad debt expense resulting from our Allowance for Doubtful Accounts methodology change, and 2) the deferral of certain overpayment debt activities due to the COVID-19 pandemic.

**Benefit Changes in Our Major Programs During Fiscal Years 2020 and 2019**

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OASI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Payment Expense</td>
<td>$944,494</td>
<td>$892,619</td>
<td>5.8%</td>
</tr>
<tr>
<td>Average Monthly Benefit Payment</td>
<td>$1,446.22</td>
<td>$1,402.83</td>
<td>3.1%</td>
</tr>
<tr>
<td>Number of Beneficiaries</td>
<td>55.02</td>
<td>53.81</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>DI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Payment Expense</td>
<td>$144,506</td>
<td>$142,482</td>
<td>1.4%</td>
</tr>
<tr>
<td>Average Monthly Benefit Payment</td>
<td>$1,126.41</td>
<td>$1,103.77</td>
<td>2.1%</td>
</tr>
<tr>
<td>Number of Beneficiaries</td>
<td>9.73</td>
<td>9.98</td>
<td>(2.5)%</td>
</tr>
<tr>
<td><strong>SSI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Payment Expense</td>
<td>$54,837</td>
<td>$51,990</td>
<td>5.5%</td>
</tr>
<tr>
<td>Average Monthly Benefit Payment</td>
<td>$576.38</td>
<td>$566.71</td>
<td>1.7%</td>
</tr>
<tr>
<td>Number of Beneficiaries</td>
<td>8.05</td>
<td>8.10</td>
<td>(0.6)%</td>
</tr>
</tbody>
</table>

Notes:
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs is presented in actual dollars.

**Statement of Changes in Net Position:** The Statement of Changes in Net Position, located in the Financial Section of this report, 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 $2.6 billion in the net position of our agency, which is attributable to financing sources in excess of our net cost. OASDI financing sources are primarily made up of tax revenues and interest earned. In addition, OASDI financing sources are affected by transfers-in from our Payments to the Trust Fund accounts and transfers-out to our Limitation on Administrative Expenses accounts. As of September 30, 2020, DI's FY 2020 net costs exceed financing sources, decreasing its net position. OASI's FY 2020 financing sources exceed its net costs, increasing its net position.

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 are 1.2 percent of benefit expenses.

In FY 2020, total financing sources, as shown in the Table of Key Financial Measures displayed earlier in this section, increased by $54.3 billion to $1,160.3 billion. The primary source of this increase is additional OASI tax revenues received in FY 2020. Tax revenue increased $52.1 billion to $984.6 billion in FY 2020 as a result of increased taxable earnings estimates; however, we anticipate negative adjustments to tax revenue amounts in FY 2021 due to the COVID-19 pandemic, as actual tax information is received and Treasury makes the necessary true-ups. The $1,160.3 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 that 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 2020.

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**Where It Comes From…**

(Dollars in Billions)

- Tax Revenues $984.6
- General Funds & Other $100.7
- Other Income, Interest & Transfers $75.3

**Where It Goes**

(Dollars in Billions)

- OASI Benefit Payments $944.5
- Administrative & Other Expenses $14.2
- SSI Benefit Payments $54.8
- DI Benefit Payments $144.5

Note:

1. The individual items included in the “Where It Comes From…” chart total $1,160.6 billion. Of this total, 0.3 billion relates to exchange revenue, which is not included on the Statement of Changes in Net Position.

The SSI program’s Cumulative Results of Operations 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, located in the Financial Section of this report, 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 2020. The Statement shows that we had $1,222.1 billion in budgetary resources, of which $6.1 billion remained unobligated at year-end. We recorded total net outlays of $1,153.9 billion by the end of the year. Budgetary resources increased $57.1 billion, or 4.9 percent, from FY 2019, while net outlays increased $52.1 billion, or 4.7 percent. The increase in budgetary resources is primarily due to an
increase in OASI tax revenues in FY 2020. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries and the 1.6 percent COLA provided to beneficiaries in 2020.

**USE OF ADMINISTRATIVE RESOURCES**

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2020 in terms of the programs we administer or support. Although the DI program comprises only 12.6 percent of the total benefit payments we make, it consumes 20.0 percent of annual administrative resources. Likewise, while the SSI program comprises only 4.8 percent of the total benefit payments we make, it consumes 33.4 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 eligibility for benefits. The FY 2019 use of administrative resources by program was 27.3 percent for the OASI program, 21.1 percent for the DI program, 33.8 percent for the SSI program, and 17.8 percent for Other.

**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 2020 represented 34.1 percent of the $3.4 trillion in total Federal receipts, an increase of 2.0 percent over last year. SSA Outlays decreased by 7.2 percent to 17.6 percent of Federal outlays. SSA and Federal outlays increased in FY 2020 compared to FY 2019 by $52.1 and $2,105.3 billion, respectively.

**Did You Know? We Wouldn’t Miss Your Retirement Party**

When most people think of Social Security, they think of retirement benefits – with good reason. Social Security is a lifeline for retirees, keeping tens of millions out of poverty.
## OVERVIEW OF SOCIAL INSURANCE DATA

### Table of Key Social Insurance Measures

(Dollars in Billions)

<table>
<thead>
<tr>
<th>Statements of Social Insurance</th>
<th>Old-Age, Survivors, and Disability Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(calendar year basis)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Present value of future net cash flows(^2) for current and future participants over the next 75 years (open group measure), current year valuation</td>
<td>$(19,696)$</td>
</tr>
<tr>
<td>Present value of future net cash flows(^2) for current and future participants over the next 75 years (open group measure), prior year valuation</td>
<td>$(16,764)$</td>
</tr>
<tr>
<td>Change in present value</td>
<td>$(2,932)^3$</td>
</tr>
</tbody>
</table>

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Present values used in this presentation 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 reserves are depleted. Future net cash flows are estimated over the appropriate 75-year period.
3. We provide high-level descriptions of the reason for the change between 2019 and 2020 in the Statement of Changes in Social Insurance Amounts subsection on the following page.

### Statements of Social Insurance:

The Statements of Social Insurance, located in the Financial Section of this report, present 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 (i.e., age 62 and over) 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 (i.e., ages 15–61) 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 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 (those under age 15, and to be born during the period) 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 to be born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, plus the reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

Estimated future noninterest income shown in the bullets above 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 reserves held in the combined OASI and DI Trust Funds. The estimated future cost shown in the bullets above includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.
The present value of estimated future net cash flows (estimated noninterest income less estimated cost for scheduled future benefits) for all current and future participants over the next 75 years (open group measure) decreased from -$16.8 trillion, as of January 1, 2019, to -$19.7 trillion, as of January 1, 2020. The deficit, therefore, increased in magnitude by about $2.9 trillion. Including the reserves in the combined OASI and DI Trust Funds increases this open group measure by about $2.9 trillion, to -$16.8 trillion, for the 75-year valuation period.

The present value of estimated future net cash flows for all current participants (who attain age 15 or older in the first year of the projection period) over the next 75 years, plus the reserves in the combined OASI and DI Trust Funds as of the beginning of the period, is -$38.2 trillion (closed group measure). Including future participants (those under age 15, and to be born during the projection period) over the next 75 years decreases the projected deficit by $21.4 trillion to the open group measure of -$16.8 trillion.

**Statements of Changes in Social Insurance Amounts:** The Statements of Changes in Social Insurance Amounts, located in the Financial Section of this report, reconcile 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, 2019 to January 1, 2020:** The present value as of January 1, 2020 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2094. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.4 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.8 trillion;
- Changes in programmatic data and methods increased the present value of estimated future net cash flows by $0.3 trillion; and
- Changes in law or policy decreased the present value of estimated future net cash flows by $0.3 trillion.

Significant changes made for this valuation included:

- Incorporating the effects of a law that repealed the provision of the Affordable Care Act that specified an excise tax on employer-sponsored group health insurance premiums;
- Lowering the ultimate total fertility rate from 2.00 to 1.95 children per woman;
- Lowering the ultimate rate of price inflation (CPI-W) by 0.2 percentage point, from 2.6 percent to 2.4 percent;
- Lowering the ultimate real interest rate by 0.2 percentage point, from 2.5 percent to 2.3 percent; and
- Lowering the ultimate disability incidence rate from 5.2 to 5.0 per thousand exposed, and lowering the near-term path to reach that lower ultimate rate.

**From January 1, 2018 to January 1, 2019:** The present value as of January 1, 2019 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2093. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cash flows by $0.4 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.0 trillion;
• Changes in programmatic data and methods increased the present value of estimated future net cash flows by $0.5 trillion; and
• Changes in law or policy increased the present value of estimated future net cash flows by less than $0.1 trillion.

Significant changes made for this valuation included:

• Incorporating recent mortality data, which led to higher projected death rates for all future years;
• Lowering the ultimate annual rate of change in total-economy labor productivity from 1.68 percent to 1.63 percent, reflecting an expected slower rate of productivity growth in the long term;
• Decreasing the difference between the ultimate growth rates for the Consumer Price Index for Urban Wage Earners and Clerical Workers and the gross domestic product implicit price deflator (the “price differential”) from 0.40 percentage point to 0.35 percentage point;
• Lowering the ultimate real interest rate by 0.2 percentage point, from 2.7 percent to 2.5 percent; and
• Lowering the ultimate disability incidence rate from 5.4 to 5.2 per thousand exposed, and incorporating recent disability data.

**OASI AND DI TRUST FUND SOLVENCY**

Significant uncertainty surrounds the estimates for the Statements 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. Note that the projections in the 2020 Trustees Report do not reflect the effects of the COVID-19 pandemic on the Social Security program (see the “Potential Impact on the Social Insurance Statements of the COVID-19 Pandemic” paragraph in Note 19, Subsequent Events, for additional details). For more information on the uncertainty surrounding the estimates, refer to the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board located in the Financial Section of this report.

**PAY-AS-YOU-GO FINANCING**

The OASI and DI Trust Funds are deemed solvent as long as 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 reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund reserves have been growing.

The following table shows that the combined OASI and DI Trust Fund reserves, expressed in terms of the number of months of program obligations that these reserves could finance, has been declining slowly. This measure indicates the ability of the OASI and DI Trust Funds to cover most short-term financial contingencies. The number of months that the reserves of the combined OASI and DI Trust Funds could finance was 36.1 months at the end of FY 2016, declining to 35.1 months at the end of FY 2017, to 33.2 months at the end of FY 2018, and to estimated values of 31.7 and 30.2 months at the end of FY 2019 and FY 2020, respectively. The historical values shown in the table for the DI Trust Fund have been increasing through the end of FY 2019 due to the Bipartisan Budget Act of 2015, which reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund. The values for DI are projected to reverse and begin to decline at the end of FY 2020.
Number of Months of Cost
Fiscal-Year-End Trust Fund Reserves Can Pay\textsuperscript{1,2}

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASI</td>
<td>42.0</td>
<td>40.2</td>
<td>37.5</td>
<td>35.4</td>
<td>33.5</td>
</tr>
<tr>
<td>DI</td>
<td>3.8</td>
<td>5.7</td>
<td>7.6</td>
<td>7.8</td>
<td>7.6</td>
</tr>
<tr>
<td>Combined</td>
<td>36.1</td>
<td>35.1</td>
<td>33.2</td>
<td>31.7</td>
<td>30.2</td>
</tr>
</tbody>
</table>

Notes:
1. Computed as 12 times the ratio of end-of-year reserves to cost in the following fiscal year.

**SHORT-TERM FINANCING**

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its reserves for the beginning of each calendar year are at least as large as the program’s obligations for the year. Estimates in the 2020 Trustees Report indicate that, on a hypothetical combined basis, the OASI and DI Trust Funds fail the short-range test of financial adequacy, and are therefore not adequately financed over the next 10 years. Under the intermediate set of assumptions of the 2020 Trustees Report, OASDI estimated costs of $1,841 billion and income of $1,600 billion for 2029 are 74 percent and 51 percent higher than the corresponding amounts in 2019 ($1,059 billion and $1,062 billion, respectively). From the end of 2019 to the end of 2029, combined OASI and DI Trust Fund reserves are projected to decrease by 37 percent, from $2.9 trillion to $1.8 trillion.

**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. Under the intermediate set of assumptions of the 2020 Trustees Report, program costs will exceed noninterest income in all years of the 75-year projection period. The combined OASI and DI Trust Fund reserves are projected to be depleted in 2035. 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 2035, declining to 73 percent of scheduled benefits in 2094.

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 beginning their retirement. In present value terms, the 75-year shortfall is $16.8 trillion, which is 3.03 percent of taxable payroll and 1.0 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 reserves, at least in part, in private securities.
LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 53 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, 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.
Fiscal Year 2020 Commissioner’s Assurance Statement

SSA management is responsible for managing risks and maintaining effective internal control and financial management systems (FMS) to meet the objectives of Sections 2 and 4 of the Federal Managers’ Financial Integrity Act (FMFIA). We conducted our assessment of risk and internal control in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control. Our assessment considered the design and operating effectiveness of our data quality controls to ensure they support Digital Accountability and Transparency Act reporting objectives as outlined in our Data Quality Plan. Based on the assessment results, we can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2020.

The agency’s internal control over financial reporting is a process effected by those executives charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. Generally Accepted Accounting Principles. Management is also responsible for designing, implementing, and maintaining effective internal control over financial reporting. An entity’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 entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles, and that receipts and expenditures of the entity 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 entity’s assets that could have a material effect on the financial statements.

We conducted our assessment of the effectiveness of internal control over financial reporting, based on criteria established in the Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States. Based on the assessment results, we concluded that, as of September 30, 2020, SSA’s internal control over financial reporting is effective.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires Federal agencies to implement and maintain FMSs that comply substantially with: 1) Federal FMS requirements; 2) applicable Federal accounting standards; and 3) the U.S. Standard General Ledger at the transaction level. We conducted an assessment of our FMSs in accordance with the requirements of OMB Circular No. A-123, Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996. Based on the assessment results, we determined our FMSs substantially comply with FFMIA and conform to the objectives of FMFIA. In making this determination, we considered all available information, including the auditor’s opinion on our fiscal year 2020 financial statements, the report on the effectiveness of internal controls over financial reporting, and the report on compliance with laws and regulations. We also considered the results of the FMS reviews and management control reviews conducted by the agency and its independent contractor.

Andrew Saul
Commissioner
November 10, 2020
AGENCY FEDERAL MANAGERS’ FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established, agency-wide management control and financial management systems (FMS) 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 FMSs at all organizational levels;
- Reviewing our management controls and FMS 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. We require senior-level executives to submit annual statements to the 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 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. The Executive Internal Control Committee evaluates identified major control weaknesses to determine if they are material, and if the Commissioner must make a final determination on whether to report them.

We incorporate effective internal controls into our business processes and FMSs 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 observations of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and FMSs. These reviews evaluate the adequacy and efficiency of our operations and systems, and provide overall assurance that our business processes are functioning as intended. The reviews also ensure management controls and FMSs comply with the standards established by FMFIA, the Federal Financial Management Improvement Act of 1996, and Office of Management and Budget (OMB) Circular Nos. A-123 and A-130.

In March 2020, we began deferring certain workloads and the resulting overpayment debt collections in response to the coronavirus (COVID-19) pandemic and OMB Memorandum M-20-16, Federal Agency Operational Alignment to Slow the Spread of Coronavirus COVID-19. Throughout the pandemic, we performed internal assessments regarding the impact on our internal control environment and compliance with laws and regulations.

As part of our assessment effort, we utilized the FMFIA Program to solicit an independent contractor to identify the risk created by the deferral of certain workloads and the resulting overpayment debt collections and the corresponding mitigating alternative controls we developed to address the risk and ensure we are able to achieve the financial and operational objectives upon a return to normal business operations. Additionally, our contractor assessed the operating effectiveness of the identified alternative controls. Our findings will be critical to our “lessons learned” from the pandemic, and will strengthen our internal control program. We believe the pandemic-related effects to our internal controls were minimal and immaterial to our financial statements.

For more information, please refer to the Summary of Financial Statement Audit and Management Assurances located in the Other Reporting Requirements section of this report.
**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 an FMS inventory and conducts reviews of the FMSs to ensure they meet Federal requirements. In addition to our financial systems, we include all major programmatic systems in the FMS inventory. On a three-year cycle, an independent contractor performs detailed reviews of our FMSs. During fiscal year (FY) 2020, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

**Government Accountability Office’s, Standards for Internal Control in the Federal Government**

In FY 2020, we engaged an independent accounting firm to assess our compliance with the revised Government Accountability Office’s (GAO), *Standards for Internal Control in the Federal Government*. The standards provide the internal control framework and criteria that Federal managers should use to design, implement, and operate an effective internal control system that will provide us with reasonable assurance that we will achieve our operations, reporting, and compliance objectives. Based on the procedures performed, the independent accounting firm concluded we have an adequately designed system of internal controls that meets the GAO’s standards.

**Enterprise Risk Management**

We continue to mature our Enterprise Risk Management (ERM) program in accordance with the requirements of OMB Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*. We have implemented a multi-year strategy that will further integrate our existing internal control and risk management frameworks with our strategic planning and review processes. During FY 2020, we finalized an Implementation Plan to mature the program and integrate ERM into our business processes. In addition, we further integrated ERM with our Strategic Objective Review process, and began aligning ERM with our Cybersecurity and Enterprise Fraud Risk Management programs, along with the executive assurance process. These efforts will continue into FY 2021.

In addition, we formed the Enterprise Risk Management Council (ERMC). The ERMC will advise the Commissioner on risk-related issues and ensure that we use ERM principles and practices consistently.

**Financial Statement Audit**

The Office of the Inspector General contracted with Grant Thornton LLP (Grant Thornton) for the audit of our FY 2020 financial statements. Grant Thornton found we present fairly the basic financial statements, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles for Federal entities.

Grant Thornton also found that the sustainability financial statements, which comprise the Statement of Social Insurance as of January 1, 2020, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2019 to January 1, 2020, are presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.
Grant Thornton found we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on the criteria established in the Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States.

In this year’s financial statement audit, Grant Thornton cited three significant deficiencies identified in prior years. These significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and accounts receivable with the public (benefit overpayments). This year, Grant Thornton identified a new significant deficiency concerning internal control over disability program monitoring. This new significant deficiency involved internal control risks created by deferring certain workloads and the resulting overpayment debt collections in response to the COVID-19 pandemic. We are committed to resolving the deficiencies through risk-based corrective action plans designed to strengthen our control environment.

For more information on the auditors’ findings and our plans to correct the findings, please refer to the Report of Independent Certified Public Accountants section of this report.

**FEDERAL INFORMATION SECURITY MODERNIZATION 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. We submitted this year’s report timely. 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 government-wide cybersecurity performance measures.

For the FY 2020 FISMA Audit, Grant Thornton assessed our maturity at level 2-Defined, acknowledging the agency’s establishment of an agency-wide information security program, including our risk-based approach to strengthening controls over our information systems.

We strive to improve our effectiveness and further mature our FISMA program. In FY 2020, we made substantial improvements in of our cybersecurity program by increasing emphasis on enterprise cyber governance and oversight by creating greater awareness of overarching issues and the related risk mitigation activities, and establishing more accountability for completion of program objectives and milestones. Additionally, we developed a new executive compliance dashboard to reinforce and monitor our performance in meeting key security controls. During this fiscal year, Grant Thornton assessed that we have an effective Incident Response program. This is a significant achievement as it marks the first effective FISMA domain rating we have received. The agency handles all auditor findings with the utmost importance, and will continue to aggressively pursue an accelerated risk-based remediation approach, where possible, to address the remaining high-risk findings and mature our security posture. We will continue to practice a defense in depth cyber strategy that employs a strong set of security controls, technologies, policies, and procedures to manage risk reasonably and to protect the confidentiality, integrity, and availability of information system resources. Properly securing our information systems and protecting the public’s personally identifiable information is our highest priority.

To improve our processes and capabilities, we will continue to design and implement new and enhanced security controls. Through FY 2021, we will continue to support multiple investments in key areas of Risk Management, Configuration Management, Identity Management, and Continuous Monitoring. In order to implement these improvements, we work in close cooperation with our senior management, budget and procurement stakeholders, and program leads to plan and prioritize the required funding and staffing resources. While undergoing this process, we remain vigilant in our efforts by evaluating risk, deploying security controls, and keeping abreast of the ever-evolving threat landscape to safeguard the personally identifiable information that we have been entrusted with by every citizen and non-citizen.

We acknowledge that we have more work to do to improve our information security program. We look forward to elevating the maturity of our program through a holistic approach, demonstrating progress through planned
improvements to our cybersecurity program, enhancing our security posture with risk based decisions, and aggressive remediation of significant audit findings and program deficiencies.

**FINANCIAL MANAGEMENT SYSTEMS STRATEGY**

Over the years, we have worked hard to improve our financial management practices. We continue to develop 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 FMS inventory to reflect the status of our systems modernization projects. We categorize our inventory of nine FMSs under the broad headings of Program Benefits, Debt Management, or Financial/Administrative and continue the long-term development of our FMSs following a defined strategy.

In FY 2018, we began modernization efforts to build a new Debt Management System (DMS). This information technology investment is a multi-year effort that will build a comprehensive overpayment system enabling us to record, track, collect, and report our overpayments more efficiently. We will also automate overpayment waiver determinations, where appropriate, to enhance controls surrounding waiver determinations.

The new DMS will also expand the Non-Entitled Debtors (NED) program to collect debts from debtors who have never been entitled to Old-Age, Survivors, and Disability Insurance (OASDI) benefits or Supplemental Security Income (SSI) payments. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible. In addition, we will further implement Section 104 of the *Strengthening Protections for Social Security Beneficiaries Act of 2018* to establish State responsibility for overpayments that occurred for OASDI childhood beneficiaries and SSI child recipients while in State-administered foster care.

During the development of the new DMS, we will accommodate 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.

During the development of the new DMS, we will accommodate 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.

We anticipate launching the new DMS and transitioning from legacy systems by the end of FY 2022. In FY 2020, we adjusted the launch date from FY 2021 to FY 2022 to focus agency resources on multiple near-term debt management priorities.

For the Financial/Administrative systems category, the Social Security Online Accounting and Reporting System (SSOARS) has been our accounting system of record since implementation in 2003. SSOARS is a federally certified accounting system based on Oracle Federal Financials and consists of core accounting, payables, purchasing, and receivables. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems.

In FY 2019, we began to implement three important upgrades (application, database, and Fusion Middleware) to SSOARS. These upgrades are required to maintain adequate Oracle support for their products and to allow for critical quarterly software patching. Additionally, we are upgrading several Oracle software products that support SSOARS’s ability to share data with other application systems. We completed the database and a portion of the Fusion Middleware upgrade in FY 2020. We continue to work on the application and remainder of the Fusion Middleware upgrades and anticipate completion in FY 2021.

**DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT**

We submitted the required reports for the *Digital Accountability and Transparency Act of 2014* (DATA Act) for the fourth quarter of FY 2019 and the first and second quarters of FY 2020. Starting with the March 2020 reports, we reported monthly in accordance with OMB guidance and the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).
We are continuing to engage with the DATA Act community to develop better data definitions. We participate in various workgroups to develop policy and guidance. The DATA Act effort will continue to enhance our transparency through improved consistency. In addition, we are providing more detailed data to the USA Spending public website (www.USASpending.gov) and additional data to Treasury.

In compliance with OMB Memorandum M-18-16, Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk, we have developed a Data Quality Plan (DQP) to ensure we have effective internal controls over the input and validation of data submitted to USAspending.gov. We leverage our existing FMFIA program activities to identify critical risk points and corresponding mitigating controls, and assess the design and operating effectiveness of our data quality controls to ensure they support DATA Act reporting objectives. We also consider the results of our assessment in our FMFIA annual assurance statement process. During FY 2020, we updated the DQP to take into account new reporting requirements as a result of the CARES Act.
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