Agency Financial Report

Fiscal Year 2021

SSA.gov

SSA.gov

A Message from the Acting Commissioner

I am pleased to present the Social Security Administration's fiscal year (FY) 2021 *Agency Financial Report*, which details how we managed our resources and delivered services to the public.

Our mission is to deliver quality Social Security services to the public. We have focused our efforts around three overarching Strategic Goals:

- Deliver Services Effectively
- Improve the Way We Do Business
- Ensure Stewardship

We discuss our progress towards meeting these goals in the *Overview of Our Fiscal Year 2021 Goals and Results* section.

Last year, despite the challenges of operating under pandemic conditions, we made significant progress in addressing some key challenges. We continued to reduce the hearings backlog, which is now at its lowest level in over 20 years. We also lowered the number of customers experiencing a busy signal on our National 800 Number, increased the number of registered *my* Social Security users, continued growing the number of customers successfully using our online services, and established liaisons in our field offices to work with community-based groups to help us reach people who face barriers to our services.

As good stewards of our programs and as required by law, we must continue our quality reviews, cost-effective program integrity work, and payment accuracy efforts to ensure eligible individuals receive the benefits to which they are entitled by reducing both overpayments and underpayments. We will expand the use of data analytics and predictive modeling, and increase the number and scope of strategic partnerships, to effectively administer benefits and protect our programs from waste, fraud, and abuse.

I am pleased to share that for the 28th consecutive year, we received an unmodified opinion on our financial statements. Based on the results of our internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate. We also have no material weaknesses in our internal controls.

Respectfully,

Kilolo Kijakazi

Kilolo Kijakazi

Baltimore, Maryland
November 10, 2021

Table of Contents

To access this report online, please visit our Fiscal Year 2021 *Agency Financial Report* webpage (www.socialsecurity.gov/finance).

INTRODUCTION

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

Management's Discussion and Analysis: The *Management's Discussion and Analysis* section provides an overview of our mission, organization, Strategic Goals and Objectives (as defined in our *Fiscal Years* (FY) *2018-2022 Agency Strategic Plan*), Priority Goals, and FY 2021 performance measures. We highlight our progress toward accomplishing our Strategic Goals and Objectives and discuss our plans to achieve our mission. We provide a summary of the financial information contained in subsequent sections of the AFR. We also include analysis of our systems, controls, and legal compliance.

Financial Section: The *Financial Section* contains *A Message from the Chief Financial Officer* and a summary of financial management initiatives that advanced the agency's mission. We also include our audited financial statements, the accompanying notes to those statements, and required supplementary information, including the Combining Schedule of Budgetary Resources and information on Social Insurance. This section concludes with the *Report of Independent Certified Public Accountants* section.

Other Information: The *Other Information* section includes the *Fiscal Year 2021 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges*, as well as our Summary of Financial Statement Audit and Management Assurances tables. We also provide information on our entitlement reviews and Office of the Inspector General anti-fraud activities, civil monetary penalties, biennial review of user fee charges, grant programs, debt collection and management activities, and payment integrity.

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

For the 23rd year in a row, we received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting (CEAR) award. Receiving the CEAR award for our FY 2020 AFR is a significant accomplishment for a Federal agency. In addition, we received a CEAR Best-in-Class award for exceptional reporting on our Coronavirus Disease 2019 pandemic response in our FY 2020 AFR.

Management's Discussion and Analysis

SSA.gov

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 2021 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 2021 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 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, *Analysis of 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

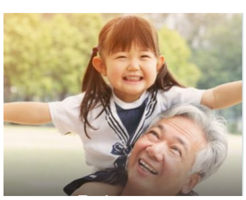
Deliver quality Social Security services to the public.

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) 2021, we paid OASI benefits to an average of over 55 million beneficiaries each month, and paid over $986 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 2021, we paid DI benefits to an average of nearly 10 million beneficiaries each month, and paid about $140 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 2021, we paid SSI benefits to a monthly average of nearly 8 million recipients (approximately 2.6 million of whom concurrently receive OASI or DI benefits), and paid about $54 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, *Employee Retirement Income Security Act of 1974*, *Coal Industry Retiree Health Benefit Act*, Supplemental Nutrition Assistance Program, *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 through Retirement

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. Creating your own *my* Social Security account lets you review your earnings history, get personalized estimates of future benefits, and manage your benefits once they begin. (www.ssa.gov/myaccount).

How Social Security Benefited America in Fiscal Year 2021

- 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 2021

- Processed nearly 12 million applications for new and replacement Social Security Number cards;
- Performed nearly 2.3 billion automated Social Security Number verifications for employers;
- Posted over 277 million earnings items to workers' records;
- Handled over 31 million calls on our National 800 Number;
- Mailed an estimated 350 million notices;
- Registered over 9.5 million users for *my* Social Security, our online portal for the public to conduct business with us;
- Processed nearly 290 million online transactions;
- Completed over 9.6 million claims for benefits;
- Completed over 451,000 hearing dispositions;
- Reviewed over 118,000 cases in the Appeals Council;
- Defended almost 28,000 disability cases in Federal court;
- Conducted nearly 511,000 full medical continuing disability reviews (CDR);
- Performed nearly 2.4 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 12 million paper *Statements* and allowing beneficiaries to access their *Statements* online nearly 64 million times.

Did You Know? You Can Apply for Retirement Benefits Online

Social Security is part of the retirement plan for almost every American worker. It provides replacement income for qualified retirees and their families. When you are ready to retire, our online application makes it easy to apply for benefits. (www.ssa.gov/benefits/retirement/)

OUR ORGANIZATION

Over 59,000 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. A diverse, engaged, and well-trained workforce is critical to meeting our service delivery goals. The more effort we place on employee safety, agency-wide communication, employee engagement, training, and development, the better equipped our employees will be to carry out our mission and provide the quality of service the public expects and deserves.

The Coronavirus Disease 2019 (COVID-19) pandemic continues to significantly affect our operations and how we serve the public. Our highest priority during this unprecedented time has been to provide mission-critical services while ensuring the health and safety of the public and our employees in a mostly virtual work environment. We continue to accelerate our planning and implementation of alternative digital and remote services, as well as expand the number of data exchanges to obtain evidence, while remaining available for limited critical, in-person appointments.

Our digital services are available 24 hours a day, providing a convenient, safe option for anyone interested in conducting business with us online. Digital services allow customers to view their *Statement*, find information about our programs and services, or file for benefits. In FY 2021, the public conducted 290 million transactions through our digital services.

Our National 800 Number callers can conduct business transactions by speaking directly with a customer service representative or through our 24-hour automated services. Our automated services include requesting benefit verification letters, ordering replacement Medicare cards, and obtaining claim status. During the COVID-19 pandemic we published local office telephone numbers, allowing our field office employees to handle significantly more phone calls while maintaining a low busy rate for our National 800 Number. Our processing centers handle the most complex benefit payment decisions, in addition to issuing benefit payments after appeals decisions, determining and collecting debt, correcting records, and performing program integrity work.

State agency disability determination services make disability determinations for initial claims, reconsiderations, and CDRs. We are increasing the processing capacity to address the existing backlog of initial disability claims and an anticipated spike in claims due to the COVID-19 pandemic. It will take a sustained, multi-year effort to work down the backlog of initial disability claims.

Administrative law judges in our hearings offices and administrative appeals judges in our Appeals Council decide appealed cases. In response to the pandemic, we transitioned to temporarily holding voluntary telephone only hearings, allowing us to continue to hear cases remotely. At the end of FY 2020, we provided a video hearing option, using a videoconferencing platform, to conduct hearings remotely and allow applicants and their representatives to participate from any private location where they have access to a camera-enabled smart phone, tablet, or computer. We continue to make progress toward our goal of eliminating the disability hearings backlog. The hearings backlog is now at its lowest level in 20 years. 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 2021 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* (ASP) (www.ssa.gov/asp). Our ASP defines our Strategic Goals and details underlying Strategic 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 January 2021, we published our *Annual Performance Report for FY 2020*, and in May 2021, we published our *Annual Performance Plan for FY 2022 and Revised Performance Plan for FY 2021* (www.ssa.gov/agency/performance) as part of the *President's FY 2022 Budget Request* (www.ssa.gov/budget/). These plans and report outline our tactical plans for achieving the Strategic Goals and Objectives in our ASP, finalizes our performance commitments for FY 2022, and describes how we ensure data integrity of our performance information. The budgeted workloads published in our Annual Performance Report (APR) correspond to the key workload measures contained in the *FY 2021 Operating Plan* (www.ssa.gov/budget/FY21Files/2021OP.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 2021 results in February 2022. 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 2021. The following table shows our operating expenses by Strategic Goal and Objective.

FY 2021 Operating Expenses by Strategic Goal and Strategic Objective
(Dollars in Millions)

Strategic Goal 1: Deliver Services Effectively	**$8,508**
Strategic Objective 1.1: Improve Service Delivery	$7,561
Strategic Objective 1.2: Expand Service Delivery Options	$947
Strategic Goal 2: Improve the Way We Do Business	**$2,052**
Strategic Objective 2.1: Streamline Policies and Processes	$267
Strategic Objective 2.2: Accelerate Information Technology Modernization	$1,785
Strategic Goal 3: Ensure Stewardship	**$2,695**
Strategic Objective 3.1: Improve Program Integrity	$1,939
Strategic Objective 3.2: Enhance Fraud Prevention and Detection Activities	$65
Strategic Objective 3.3: Improve Workforce Performance and Increase Accountability	$530
Strategic Objective 3.4: Improve Organizational Effectiveness and Reduce Costs	$161

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 were:

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 (SSI) 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.

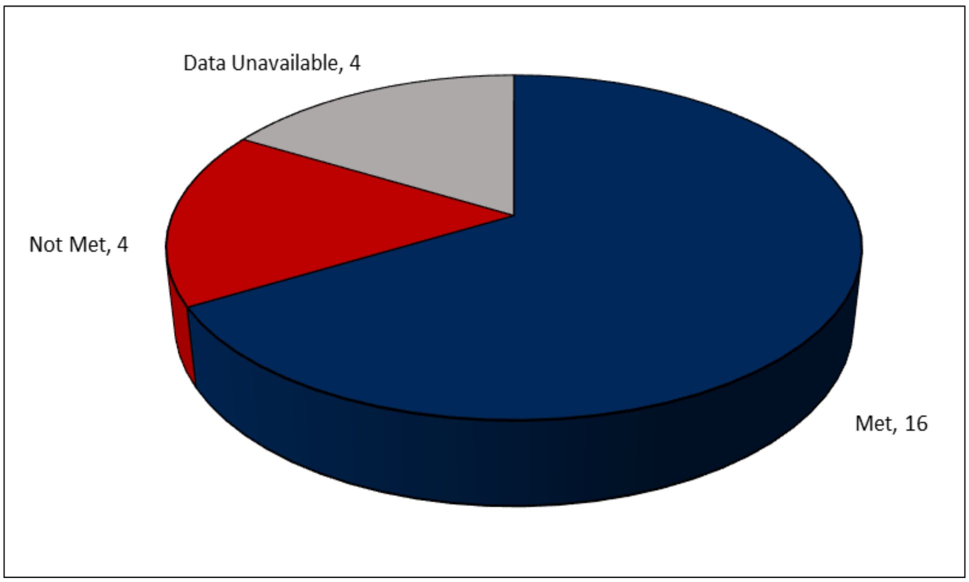
Summary of Fiscal Year 2021 Performance

We highlight the approaches we used to achieve our FY 2021 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 had a total of 24 performance measures (including three APGs) that we used to track agency progress towards meeting our Strategic Goals and Strategic Objectives. Overall, we met our targets for 16 of the 20 performance measures for which data were available. Final data for 4 of the performance measure targets were not available at the time we published this report.

We will publish final data for all performance measures in our *Annual Performance Plan for FY 2023, Revised Performance Plan for FY 2022, and Annual Performance Report for FY 2021* in February 2022.

Summary of Our FY 2021 Performance Measure Results



STRATEGIC GOAL 1: DELIVER SERVICES EFFECTIVELY

<u>Strategic Objectives</u>

- Improve Service Delivery
- Expand Service Delivery Options

Create an account:
www.ssa.gov/myaccount

Our goal is to deliver our services effectively whether they are online, on the phone, or in-person. We interact with the public every day and our employees experience firsthand the impact of our programs. We understand that doing our work well matters. We also know that advancements in technology provide opportunities to do business differently, and often more efficiently and conveniently.

The following is a summary of progress toward accomplishing our Strategic Goal and Objectives:

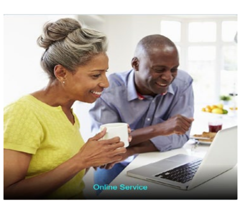
- *my* Social Security is our online portal that provides over 62 million registered users with a convenient, safe option to conduct business with us or view their *Social Security Statement* (*Statement*). *my* Social Security offers a broad range of services including changing an address or direct deposit information, getting personal retirement benefit estimates, and requesting a replacement Social Security Number (SSN) card. In FY 2021, we expanded user features for individual representative payees by adding a standardized benefit verification letter and the ability to request a Medicare Replacement card. We also enhanced the ability to track claim status.
- Millions of our customers depend on our National 800 Number technicians to answer important questions. We will continue improving service and reducing wait times through targeted hiring, improved training methods, and additional automated services. In FY 2021, our agents handled more than 31 million calls, over 1 million more calls than in FY 2020. We hired and trained 1,000 additional agents to improve our ability to address 800 Number callers efficiently.
- Individuals most commonly visit our field offices to replace SSN cards. We have been expanding digital service options so adult U.S. citizens who meet certain criteria may apply for a replacement card using our internet Social Security Number Replacement Card online application, which can be accessed with a *my* Social Security account. Forty-four States and the District of Columbia have this option. In FY 2021, we continued to expand service options to reduce the need for members of the public to visit an office for this service.
- Video service delivery (VSD) allows us to provide a video face-to-face service option in over 800 convenient locations across the country such as our field offices, hospitals, libraries, community centers, American Indian tribal centers, homeless shelters, and other government agencies. However, the Coronavirus Disease 2019 (COVID-19) pandemic reduced customers’ ability to access these VSD locations. While VSD requires individuals to go into specific locations that offer VSD service, our videoconferencing platform allows the public to engage in face-to face video service with our employees from any location, using their smart phone, tablet, or computer. In FY 2021, we deployed videoconferencing to 100 percent of our frontline employees. We also implemented videoconferencing for several workloads, including conducting video hearings with Administrative Law Judges, and contractors conducting representative payee reviews.

- Eliminating the hearings backlog and reducing the time it takes to get a hearing decision remain our most critical priorities. In FY 2021, the average wait time of 326 days is at the lowest level since FY 2001. We expect to eliminate the hearings backlog in FY 2022.

The following dashboard shows our FY 2021 performance measures status, including the Strategic Goal and Objectives:

FY 2021 Performance at a Glance

Strategic Goal 1: Deliver Services Effectively		
Strategic Objective 1.1: Improve Service Delivery	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)	**Not Met**
	Performance Measure 1.1b: Improve the customer experience by reducing the Average Speed of Answer on the National 800 Number (APG)	**Met**
	Performance Measure 1.1c: Improve customer service by reducing the number of actions pending at the processing centers	**Met**
	Performance Measure 1.1d: Expand video service delivery	**Met**
Strategic Objective 1.2: Expand Service Delivery Options	Performance Measure 1.2a: Redesign our website to enhance the user's online experience	To Be Determined
	Performance Measure 1.2b: Maintain customer satisfaction with our online services above Verint ForeSee's Threshold of Excellence (80)	**Not Met**
	Performance Measure 1.2c: Increase the number of successfully completed online transactions	**Met**



Did You Know? You Can Access Our Services Online

We are constantly expanding our online services to give you freedom and control when conducting business with Social Security. You can apply for retirement, disability, and Medicare benefits online, check the status of an application or appeal, request a replacement Social Security card (in most areas), print a benefit verification letter, and more – from anywhere and from any of your devices! (www.ssa.gov/onlineservices/)

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/

Our goal is to deliver services effectively to the public. We continuously evaluate our policies and business processes using data and modern methods to ensure we meet service demands and reinforce efficient and effective service. We recognized our technology infrastructure and existing business systems did not allow us to serve the public the way we want or the way they expect. In response, we developed and updated a plan to modernize our information technology (IT) systems. This multi-year modernization effort is fundamental to our overall ability to improve service to the public.

The following is a summary of progress toward accomplishing our Strategic Goal and Objectives:

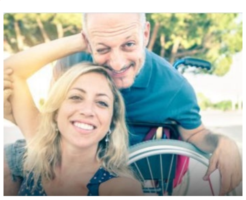
- We modernized the *Statement*, which provides users with their earnings records, Social Security and Medicare taxes paid, and future benefit estimates, along with access and links to retirement planning tools, calculators, supplemental fact sheets, and other applicable information. In FY 2021, we launched nine supplemental fact sheets, to accompany the *Statement* and present information based on the user's age and earnings history.
- We are improving disability case processing through our enterprise-wide efforts to develop and implement modern, national claims processing systems that will seamlessly interact with each other from initial claim filing through a final appeal decision. We are working to integrate the Disability Case Processing System (DCPS2), Hearings and Appeals Case Processing System, and the Quality Review Case Processing System across our offices and State disability determination services (DDS). We are bringing decision support tools using artificial intelligence technologies, machine learning, and predictive analytics to many aspects of the disability determination process to improve decisional accuracy and policy compliance. In FY 2021, we deployed DCPS2 to 4 additional DDSs, bringing the total to 49 of the 52 DDSs supported in production.
- Expanding the use of electronic medical evidence makes it easier for medical providers to submit evidence, allows disability adjudicators to efficiently navigate the record to identify pertinent information, and improves the disability determination process through use of data analytics. In FY 2021, we onboarded 12 new partners to exchange medical records electronically. Additionally, more than half of the evidence we received from medical providers was submitted electronically.

- Four years ago, we began a multi-year IT Modernization Plan (www.ssa.gov/open/materials/IT-Modernization-Plan.pdf), supported by $415 million in dedicated appropriations. In 2020, we updated our plan (www.ssa.gov/open/materials/IT-Modernization-Plan-2020-Update.pdf), emphasizing service modernization, which includes building additional digital 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 2021, we implemented and enhanced software to enable more efficient document review for disability claims, improve our claimant's ability to view and track the status of their claims, and better manage wage data.

The following dashboard shows our FY 2021 performance measures status, including the Strategic Goal and Objectives:

FY 2021 Performance at a Glance

Strategic Goal 2: Improve the Way We Do Business		
Strategic Objective 2.1: Streamline Policies and Processes	Performance Measure 2.1a: Implement a New Framework for the Acquisition of Electronic Medical Evidence	**Met**
	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	**Met**
	Performance Measure 2.1c: Update the Listing of Impairments	**Met**
Strategic Objective 2.2: Accelerate Information Technology Modernization	Performance Measure 2.2a: Expand Self-Service for Claims Status Inquiries	**Met**
	Performance Measure 2.2b: Provide uninterrupted access to our systems during scheduled times of operations	**Not Met**
	Performance Measure 2.2c: Maintain effective cybersecurity and privacy programs	**Met**



Did You Know? You Can Apply for Disability Benefits Online

You can apply for disability benefits as soon as you become disabled. The Disability Insurance and Supplemental Security Income programs provide disability assistance. You may be able to file online for SSI at the same time you file for DI benefits. (www.ssa.gov/benefits/disability/)

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 goal is to ensure stewardship and the efficient administration of our programs, by focusing our efforts in three major areas: improving program integrity, enhancing our fraud prevention and detection activities, and improving workforce performance and increasing accountability.

The following is a summary of progress toward accomplishing our Strategic Goal and Objectives:

- Changes in a person's work and wages are a leading cause of improper payments in the DI and SSI programs. We developed multiple channels to make it easier for DI beneficiaries, SSI recipients, and representative payees to report earnings electronically via *my* Social Security, including the online wage reporting application, myWage Report (myWR) In FY 2021, we shared a training video with the public via digital and social media outlets (e.g., YouTube) to promote the use of telephone wage reporting, mobile wage reporting, and myWR.
- Currently, we use numerous systems to record, track, and manage our Old-Age, Survivors, and Disability Insurance (OASDI) and SSI overpayments. We started a multi-year initiative to develop a streamlined, modernized enterprise Debt Management System to enable us to more effectively and efficiently post, track, collect, and report on overpayments. In FY 2021, we released a new online remittance option with Department of Treasury (Treasury) Pay.gov, for repaying OASDI and SSI overpayments, implemented a lockbox service with Treasury,[1] and partnered with Treasury to implement Online Bill Pay so our customers can also pay us online through their financial institutions online bank portal. In addition, we released an automated process for writing-off delinquent and unproductive debts.
- We are focusing on a holistic analytical approach to our fraud risk management and prioritizing our anti-fraud efforts consistent with the *Payment Integrity Information Act of 2019* and the Government Accountability Office *Framework for Managing Fraud Risks in the Federal Programs*. Between FYs 2018 and 2020, we completed fraud risk assessments in key areas including disability, electronic services, and the representative payee program. These assessments were consistent with our Enterprise Fraud Risk Management (EFRM) strategy,[2] established in FY 2019. We also developed strategies to mitigate specific risks identified in those assessments. In FY 2021, we initiated additional risk assessment activities in areas such as employee fraud and the Title II program,[3] consistent with our EFRM strategy. We will continue

---

[1] Through the lockbox program, the Department of the Treasury agrees to let certain financial institutions process individual payments.
[2] Enterprise Fraud Risk Management is a systematic process to identify possible fraud risks, determine what controls are in place to reduce the likelihood or impact of those risks, and then determine the significance of the residual (remaining risks).
[3] The Title II program is also referred to as the Federal old-age, survivors, and disability insurance (OASDI) benefits program. While the Title II program includes benefits administered for disability insurance, the Title II fraud risk assessment does not cover disability. We completed the DI risk assessment separately in December 2017.

our 5-year project to enhance our fraud allegation referral process, providing additional user functionality and enhancing management information.

- We partner with the Office of the Inspector General, State DDSs, and State and local law enforcement divisions to operate cooperative disability investigations (CDI) units. Generally, these units investigate suspected fraud before we award benefits and during the CDR process. We currently have 49 CDI units covering 47 States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. territories of Guam, American Samoa, the Northern Mariana Islands, and the Virgin Islands. In FY 2021, we added CDI coverage to Maine, Vermont, and Connecticut.
- We provide SSN verifications and exchange birth, death, prisoner, and benefit payment information, as permitted under law, with Federal, State, and private partners. Our data exchanges improve organizational effectiveness and reduce costs by providing reliable data to determine benefits and improve administrative processes, which in turn saves costs and reduces improper payments. In FY 2021, we identified technical solutions for transferring data to support a computer-matching agreement with the Department of Homeland Security to process U.S. citizen and non-citizen foreign travel data. We continue to analyze the technical solutions for implementing systems functionality to exchange computer-matching data.
- We properly train our managers and supervisors so that they are better positioned to train and manage the performance of their staff, enhance employee engagement, increase productivity, and improve retention. In FY 2019, we launched and updated our National Leadership Essentials for New Supervisors curriculum to train new managers and supervisors on management laws and responsibilities, in conjunction with the Office of Personnel Management's policies and procedures. In FY 2020, we began developing Leadership Fundamentals, a new multi-year online and self-paced curriculum that provides sequential training for managers within the first three years of their supervisory role. In FY 2021, we developed online lessons that encompass the first full year of the Leadership Fundamentals curriculum.
- Our goal is to increase the proficiency of our leadership cadre and pipeline to enhance their readiness to fill potential gaps in leadership and critical positions. In FY 2020, we announced selectees for the National Leadership Development Program (NLDP). We are also developing an automated enterprise-wide approach to succession planning. In FY 2021, we began assignments for our inaugural NLDP Track 1 (GS 15) and Track 2 (GS 12–14) selectees. We also announced selections, completed competency baselines, and began assignments for Track 3 (GS 8–11) selectees. Additionally, we finalized configuration of our succession planning tool.

The following dashboard shows our FY 2021 performance measures status, including the Strategic Goal and Objectives:

FY 2021 Performance at a Glance

Strategic Goal 3: Ensure Stewardship		
Strategic Objective 3.1: Improve Program Integrity	Performance Measure 3.1a: Improve the integrity of the Supplemental Security Income program by focusing our efforts on reducing overpayments (APG)	Results available summer 2022
	Performance Measure 3.1b: Maintain a high payment accuracy rate by reducing overpayments, in the Old-Age, Survivors, and Disability Insurance program	Results available summer 2022
	Performance Measure 3.1c: Ensure the quality of our decisions by achieving the State disability determination services decisional accuracy rate for initial disability decisions	Results available summer 2022
	Performance Measure 3.1d: Modernize our Debt Management System	**Met**
Strategic Objective 3.2: Enhance Fraud Prevention and Detection Activities	Performance Measure 3.2a: Expand our Cooperative Disability Investigations coverage	**Met**
	Performance Measure 3.2b: Mature the Enterprise Fraud Risk Management Program	**Met**
Strategic Objective 3.3: Improve Workforce Performance and Increase Accountability	Performance Measure 3.3a: Strengthen manager accountability for effective performance management	**Met**
	Performance Measure 3.3b: Enhance the leadership pipeline through a modernized national leadership development program	**Met**
	Performance Measure 3.3c: Ensure new supervisors receive timely training to improve their leadership skills and competencies	**Not Met**
Strategic Objective 3.4: Improve Organizational Effectiveness and Reduce Costs	Performance Measure 3.4a: Reduce our real property footprint	**Met**
	Performance Measure 3.4b: Implement the electronic Consent Based Social Security Number Verification Service	**Met**

Looking Forward – Facing Our Challenges

Social Security programs affect nearly every member of the public at some point in their lives. We are with you from birth, when you start work, if you become disabled or lose a loved one, and when you reach retirement age. We strive to improve access to Social Security services by eliminating systemic barriers to full and equitable participation in our programs by optimizing customer experience; building an inclusive, engaged, and empowered workforce; and ensuring stewardship of our programs.

We are continuing to invest in modern technology and business processes that will help us provide better service to the public and reduce operating costs. We are executing our IT Modernization Plan (www.ssa.gov/open/materials/IT-Modernization-Plan-2020-Update.pdf), which is replacing our legacy systems and enhancing our ability to serve the public accurately and timely. Building on the lessons learned from the COVID-19 pandemic, we will offer more digital service options for the many customers who prefer to do business with us online or by phone.

While we must expand our digital service options, some individuals need in-person service. We must ensure that our programs and services are reaching underserved communities, including individuals facing homelessness, with low income, with limited English proficiency, or with mental and intellectual disabilities. We are working to ensure our SSI program is accessible and to understand why fewer people applied for SSI during the COVID-19 pandemic. We established liaisons in our field offices to work with community-based groups to help us reach people who face barriers accessing our services. We will continue our SSI outreach work, including collaborating closely with other government agencies and third-party organizations in local communities to help members of the public understand possible benefit eligibility and assure convenient access to our services.

The knowledgeable, dedicated, and talented workforce that administers our complex programs is essential to our success. We will invest in our employees, as we eliminate barriers to hiring and advancement to foster an inclusive workforce. We will also treat our employees equitably and support them in their chosen career paths. We are investing in our employees through additional training, including inclusive leadership development; increased workplace flexibilities; and advancements in technology that provide better tools to do the job.

We will prioritize employee and public health and safety with new operating approaches. We are also strengthening our Federal hiring policies so that we can attract, recruit, and retain top talent.

We are working to better serve millions of people while maintaining strong stewardship and rigorous oversight of the programs we administer.

Did You Know? Scammers Are Pretending to be Government Employees

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

Hang up!

DO NOT give them money or personal information!

Report the scam at oig.ssa.gov!

For more information, visit our website (www.ssa.gov/antifraudfacts/).

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) 2019 through 2021 (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 Measures[1]
(Dollars in Billions)

Net Position (end of fiscal year)			
	2021	**2020**	**2019**
Total Assets	$2,893.3	$2,949.1	$2,945.9
Less Total Liabilities	$121.5	$119.5	$118.9
Net Position (assets net of liabilities)	$2,771.8	$2,829.6	$2,827.0
Change in Net Position (end of fiscal year)			
	2021	**2020**	**2019**
Net Costs	$1,194.2	$1,157.7	$1,101.3
Total Financing Sources[2]	$1,136.4	$1,160.3	$1,106.0
Change in Net Position	$(57.8)	$2.6	$4.7

Note:

1) Totals do not necessarily equal the sum of rounded components.
2) Total Financing Sources includes the following line items from the Statements of Changes in Net Position located in the *Financial Section* of this report: Net Change in Unexpended Appropriations, Appropriations Used in Cumulative Results of Operations, Total Non-Exchange Revenue, Transfers-In/Out Without Reimbursement, Imputed Financing Sources, and Other.

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 2021 are $2,893.3 billion, a 1.9 percent decrease over the previous year. Of the total assets, $2,876.4 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. Our Investments line, which includes interest receivable and accounts for approximately 99.2 percent of our assets, decreased $56.2 billion from the previous year. This decrease is due to a reduction in OASI investments during FY 2021, as the program's obligations exceeded receipts. This increase in obligations is due primarily to an increase in beneficiaries and the 1.3 percent Cost of Living Adjustment (COLA) beneficiaries received in 2021. In FY 2021, Accounts Receivable, Net With the Public decreased $0.9 billion to $8.6 billion due to programmatic debt write-offs removing certain delinquent debts from the agency's books.

Liabilities grew in FY 2021 by $2.0 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 1.3 percent COLA provided to beneficiaries in 2021. The majority of our liabilities (91.2 percent) consists of benefits that have accrued as of the end of the fiscal year, but have not been paid as of September 30, 2021. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position decreased $57.8 billion to $2,771.8 billion, primarily due to the decrease in assets in FY 2021.

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 2021, our total net cost of operations increased $36.5 billion to $1,194.2 billion, primarily due to a 1.4 percent increase in the number of OASI beneficiaries, and the 1.3 percent COLA provided to beneficiaries in 2021. The OASI net cost increased by 4.4 percent, while the DI and SSI net cost decreased 3.2 percent and 1.6 percent respectively. Operating expenses increased for the OASI and DI programs by 6.1 percent and 0.4 percent respectively, while the SSI operating expenses decreased by 0.9 percent. When evaluating our OASI, DI, and SSI Programs, our administrative operating expenses for these programs are only 1.0 percent of these programs' total benefit expenses.

In FY 2021, our total benefit payment expenses increased by $36.3 billion, a 3.2 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2021 and FY 2020 for each of our three major programs. The FY 2021 DI and SSI benefit payment expense decreases are primarily due to a decrease in the number of beneficiaries.

Benefit Changes in Our Major Programs During Fiscal Years 2021 and 2020

	FY 2021	FY 2020	% Change
OASI			
Benefit Payment Expense	$986,398	$944,494	4.4%
Average Monthly Benefit Payment	$1,487.01	$1,446.22	2.8%
Number of Beneficiaries	55.79	55.02	1.4%
DI			
Benefit Payment Expense	$139,818	$144,506	(3.2)%
Average Monthly Benefit Payment	$1,152.70	$1,126.41	2.3%
Number of Beneficiaries	9.34	9.73	(4.0)%
SSI			
Benefit Payment Expense	$53,918	$54,837	(1.7)%
Average Monthly Benefit Payment	$584.74	$576.38	1.5%
Number of Beneficiaries	7.77	8.05	(3.5)%

Notes:

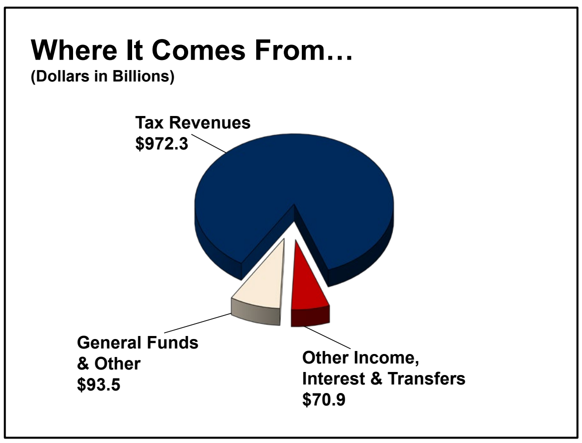
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs is presented in actual dollars.

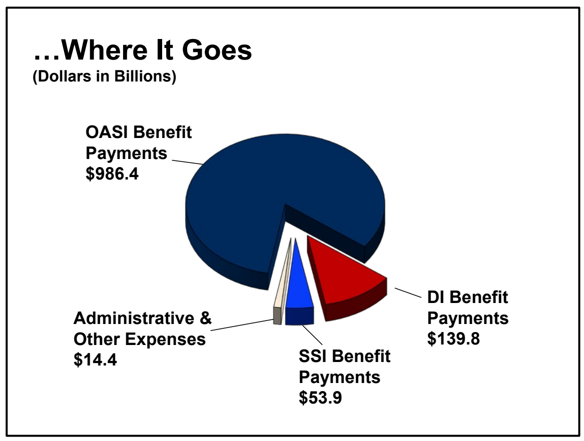
Statement of Changes in Net Position: The Statement of Changes in Net Position, located in the *Financial Section* of this report, presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows a decrease of $57.8 billion in the net position of our agency, which is attributable to our net cost exceeding our financing sources. 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, 2021, OASI's FY 2021 net costs exceed financing sources, decreasing its net position. DI's FY 2021 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.

In FY 2021, total financing sources, as shown in the Table of Key Financial Measures displayed earlier in this section, decreased by $23.9 billion to $1,136.4 billion. This decrease is primarily due to a decrease in OASI tax revenues received in FY 2021. Tax revenue decreased $12.2 billion to $972.3 billion in FY 2021 as a result of negative adjustments to prior year taxable earnings estimates. These adjustments were the result of true-ups of the estimated taxable earnings to actual tax information received by Treasury, which was less than estimated because of the Coronavirus Disease 2019 (COVID-19) pandemic. The $1,136.4 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 2021.





Note:

1. The individual items included in the "Where It Comes From…" chart total $1,136.7 billion. Of this total, 0.3 billion relates to exchange revenue, which is not included on the Statement of Changes in Net Position.

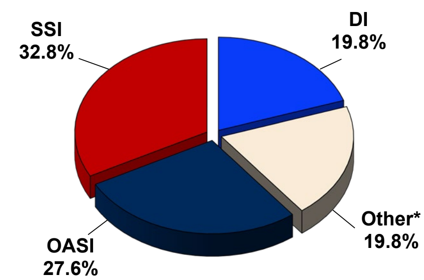
The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. 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 2021. The Statement shows that we had $1,254.5 billion in budgetary resources, of which $5.8 billion remained unobligated at year-end. We recorded total net outlays of $1,192.5 billion by the end of the year. Budgetary resources increased $32.4 billion, or 2.7 percent, from FY 2020, while net outlays increased $38.5 billion, or 3.3 percent. The increase in budgetary resources is primarily due to the OASI Trust Fund using additional Trust Fund reserves to cover increased benefit payment obligations in FY 2021. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries and the 1.3 percent COLA provided to beneficiaries in 2021.

USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2021 in terms of the programs we administer or support. Although the DI program comprises only 11.9 percent of the total benefit payments we make, it consumes 19.8 percent of annual administrative resources. Likewise, while the SSI program comprises only 4.6 percent of the total benefit payments we make, it consumes 32.8 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 2020 use of administrative resources by program was 26.3 percent for the OASI program, 20.0 percent for the DI program, 33.4 percent for the SSI program, and 20.3 percent for Other.

Use of Administrative Resources by Program
FY 2021

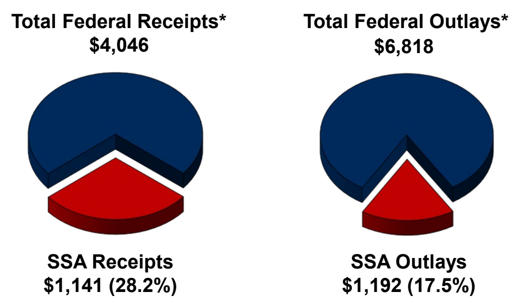


*Other primarily consists of Hospital Insurance/Supplemental Medical Insurance.

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 2021 represented 28.2 percent of the $4.0 trillion in total Federal receipts, a decrease of 5.9 percent from last year. SSA Outlays decreased by 0.1 percent to 17.5 percent of Federal outlays. SSA and Federal outlays increased in FY 2021 compared to FY 2020 by $38.5 and $266.3 billion, respectively.

Share of Federal Receipts and Outlays
FY 2021
(Dollars in Billions)



*Data Source: Final Monthly Treasury Statement of Receipts and Outlays of the United States Government

Overview of Social Insurance Data

Table of Key Social Insurance Measures[1]
(Dollars in Billions)

Statements of Social Insurance Old-Age, Survivors, and Disability Insurance (OASDI) (calendar year basis)	2021	2020	2019
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	$(22,742)	$(19,696)	$(16,764)
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	$(19,696)	$(16,764)	$(16,057)
Change in present value[3]	$(3,045)	$(2,932)	$(707)

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 in present value from year to year 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 -$19.7 trillion, as of January 1, 2020, to -$22.7 trillion, as of January 1, 2021. The deficit, therefore, increased in magnitude by about $3.0 trillion. Including the reserves in the combined OASI and DI Trust Funds increases this open group measure by about $2.9 trillion, to -$19.8 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 -$42.6 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 $22.7 trillion to the open group measure of -$19.8 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 changes (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 changes that are significant and provides reasons for the changes.

From January 1, 2020 to January 1, 2021: The present value as of January 1, 2021 decreased (became more negative) by $0.7 trillion, due to advancing the valuation date by one year and including the additional year, 2095. 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 $0.2 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.2 trillion;
- Changes in programmatic data and methods decreased the present value of estimated future net cash flows by $1.2 trillion; and
- Changes in law or policy decreased the present value of estimated future net cash flows by less than $0.1 trillion.

Significant changes made for this valuation included:

- Lowering the near-term fertility rates;
- Increasing the ultimate total fertility rate from 1.95 to 2.00 children per woman, in conjunction with switching from a period-based model approach to a cohort-based model for birth rates;
- Increasing near-term death rates to account for the elevated deaths during the COVID-19 pandemic;
- Adding a cause of death category and updating the ultimate mortality improvement rate assumptions for certain causes of deaths and age groups;
- Lowering the ultimate age-sex adjusted unemployment rate from 5.0 percent to 4.5 percent, in conjunction with updating the model for projecting labor force participation to incorporate the latest complete economic cycle;
- Increasing the average real wage differential from 1.14 percent to 1.15 percent; and
- Updating economic starting values and near-term growth assumptions to reflect the COVID-19 pandemic and the ensuing economic recession, in particular lowering near-term real interest rates and lowering the level of potential gross domestic product by roughly 1 percent beginning with the second quarter of 2020.

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.

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. Some examples of sources of near-term uncertainty include the path of the recovery from the COVID-19 pandemic and the ensuing recession, and unanticipated changes in inflation or interest rates. Some examples of sources of long-term uncertainty include the effects of climate change, levels of federal debt, and possible future global events and technical advances. To illustrate the uncertainty of the projections, we include sensitivity analysis on a range of long-term assumptions in the *Required Supplemental Information: Social Insurance* 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, including interest income on reserves held in the combined OASI and DI Trust Funds, 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 35.1 months at the end of FY 2017, declining to 33.2 months at the end of FY 2018, to 31.8 months at the end of FY 2019, and to estimated values of 30.6 and 28.3 months at the end of FY 2020 and FY 2021, respectively. The historical values shown in the table for the DI Trust Fund increased from FY 2017 to FY 2019 primarily 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 increase slightly at the end of FY 2020, but are projected to reverse and begin to decline at the end of FY 2021.

Number of Months of Cost Fiscal-Year-End Trust Fund Reserves Can Pay[1,2]

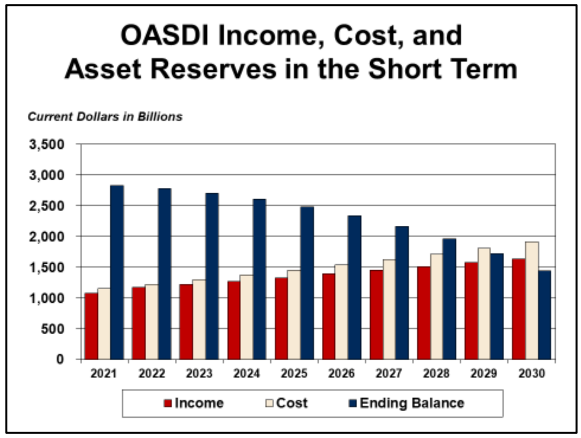
	2021	2020	2019	2018	2017
OASI	31.3	33.9	35.5	37.5	40.2
DI	7.6	8.0	7.9	7.6	5.7
Combined	28.3	30.6	31.8	33.2	35.1

Notes:

1. Computed as 12 times the ratio of end-of-year reserves to cost in the following fiscal year.
2. Values for FY 2020 and FY 2021 are estimates based on the intermediate set of assumptions of the 2021 Trustees Report.

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. Projections in the 2021 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 2021 Trustees Report, OASDI estimated costs of $1,936 billion and income of $1,632 billion for 2030 are 75 percent and 46 percent higher than the corresponding amounts in 2020 ($1,107 billion and $1,118 billion, respectively). From the end of 2020 to the end of 2030, combined OASI and DI Trust Fund reserves are projected to decrease by 54 percent, from $2.9 trillion to $1.3 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 2021 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 2034. Tax revenues are projected to be sufficient to support expenditures at a level of 78 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 74 percent of scheduled benefits in 2095.

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 retirements. In present value terms, the 75-year shortfall is $19.8 trillion, which is 3.35 percent of taxable payroll and 1.2 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 43 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 United States Code 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.

Climate Change

We continue to support climate change mitigation and are committed to providing a healthy and clean environment to everyone, including those we serve. In support of Executive Order (EO) 14008, *Tackling the Climate Crisis at Home and Abroad* (www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/), we created a Climate Action Plan. Our plan demonstrates our commitment to conserve resources by encouraging employees and contractors to reduce energy consumption and water usage, reduce the amount of waste produced, and promote re-use and recycling whenever possible. Our plan is to install renewable energy technology, use as much pollution-free electricity as possible, and reduce emissions from our vehicles and heating plants. We will also address the climate crisis through investments in physical and natural infrastructure.

In our plan we identify five priority adaptation actions of climate change at our delegated facilities, which are located in four of the ten climate regions identified in the National Climate Assessment Report. The plans for these priority adaptation actions prepare us for power disruptions, increased flooding in both coastal and non-coastal locations, reduced water supply, and disruptions and damage to transportation infrastructure.

Within each of these five priority actions we may face funding challenges if climate events affect our operations. These funding challenges include the loss or replacement of facilities, fleet, and information technology equipment, as well as health and safety costs to maintain operations during severe climate related events. We also face climate-related financial risks and the Office of the Chief Financial Officer will lead our efforts to strategically plan actions to mitigate climate vulnerabilities and lessen climate-related financial risks.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

Fiscal Year 2021 Acting 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, 2021.

The agency's internal control over financial reporting is a process effected by those 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, 2021, 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 2021 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.

Kilolo Kijakzi
Acting Commissioner
November 10, 2021

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.

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. Throughout the fiscal year, management control issues and weaknesses are reviewed individually and in the aggregate to determine if a reportable condition exists.

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

Our Executive Internal Control Committee, consisting of senior managers, ensures our compliance with FMFIA and other related legislative and regulatory requirements. The Executive Internal Control Committee evaluates identified major control weaknesses to determine if they are material, and if the Acting Commissioner must make a final determination on whether to report them.

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) 2021, 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 2021, 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 2021, we further aligned ERM with our Cybersecurity and Enterprise Fraud Risk Management programs, including developing an Integration Framework to assist with integrating agency programs with ERM. In addition, we finalized our risk appetite statement, conducted market research on obtaining a Governance, Risk, and Compliance tool to assist with our ERM efforts, and developed an evaluation process to determine our ERM maturity.

Financial Statement Audit

The Office of the Inspector General contracted with Grant Thornton LLP (Grant Thornton) for the audit of our FY 2021 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 (GAAP) for Federal entities.

Grant Thornton also found that the sustainability financial statements, which comprise the Statement of Social Insurance as of January 1, 2021, and the Statement of Changes in Social Insurance Amounts for the period January 1, 2020 to January 1, 2021, are presented fairly, in all material respects, in accordance with U.S. GAAP.

Grant Thornton found we maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, 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 internal control over accounts receivable with the public (benefit overpayments). We resolve the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and 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 2021 FISMA Audit, Grant Thornton acknowledged 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 2021, we made substantial improvements in 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 continued expanding our executive compliance dashboard to reinforce and monitor our performance in meeting key security controls. We are pleased that Grant Thornton assessed that we have an effective Incident Response program for the second year in a row. In addition, we achieved higher maturity scores in the functions of Protect and Recover as compared to prior year as well as higher scores across several individual metrics. 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 2022, 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.

The Debt Management Product is a modernization effort focused not only on a new DMS, but also on modernizing the way we do business and offer services to the public. This includes updating our accounting and reporting for delinquent and unproductive debts, streamlining our current manual remittance process, and providing modern platforms and electronic services for those individuals seeking to pay the agency, such as utilizing online payment methods.

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*.

We anticipate launching the new DMS and transitioning from legacy systems by the end of FY 2023. In FY 2021, due to the COVID-19 pandemic, we adjusted the launch date from FY 2022 to FY 2023 to focus agency resources on multiple near-term, value-driven, business debt management priorities. In FY 2021, we made several enhancements to our manual paper remittance process, which, along with our previously implemented Social Security Electronic Remittance System, now account for almost 50 percent of our remittance activity. These efforts include:

- In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for OASDI beneficiaries and SSI recipients to repay benefit overpayments via credit or debit card and an automated clearing house (ACH) (i.e., a checking or savings account).
- Also, in January 2021, we partnered with Treasury to use U.S. Bank, a financial agent for Treasury, to implement a lockbox service to assist with our paper remittance processing efforts.
- In July 2021, we implemented Online Bill Pay, allowing debtors to make a one-time or recurring ACH draft from a bank account using a personal computer or mobile phone.

For additional information, please refer to the *Financial Management Initiatives Advancing Our Mission* and Debt Collection sections.

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, receivables, iStore, and WebCenter. SSOARS produces management information reports and provides real-time integration with administrative and programmatic systems.

In FY 2021, we implemented a major upgrade to move SSOARS to Oracle E-Business Suite 12.2.9. This upgrade was required to maintain full Oracle support for our installed products, quarterly patching, and enhanced functionality patches mandated by the General Services Administration and Treasury. We upgraded Single Sign-On and Service-Oriented Architecture services to a higher supported version and reconfigured WebCenter and Business Intelligence Publisher to work with the Edge modern browser. In FY 2022, we will be upgrading the underlying Oracle database versions from version 12 to version 19c, implementing Unique Entity Identifier and G-Invoicing functionality along with patching SSOARS to work with Edge by June 2022.

Digital Accountability and Transparency Act

We submitted and certified the required reports for the *Digital Accountability and Transparency Act of 2014* (DATA Act) for the fourth quarter of FY 2020 and the first, second, and third quarters of FY 2021. These reports were submitted monthly as required by OMB Memorandum M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID-19).* Additionally, we have submitted the required reports for July, August, and September 2021.

We are continuing to engage with the DATA Act community to develop improvements to the DATA Act Information Model Schema. We participate in various workgroups to develop policy, guidance, and new reporting requirements. 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* 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.

This page was intentionally left blank.

Financial Section

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to join Acting Commissioner Kijakazi to issue our fiscal year (FY) 2021 *Agency Financial Report* (AFR). This report highlights our accomplishments in delivering Social Security services to promote the economic security of the public, and demonstrates our commitment to making efficient use of funds the American people entrust to us.

I am proud to report that for the 28th consecutive year, we received an unmodified audit opinion on our financial statements from our independent auditors. An unmodified audit opinion confirms that our statements present fairly our financial position and are free of material misstatement. Our independent auditors also issued an unmodified opinion on the effectiveness of our internal control over financial reporting. They determined that we had no material weaknesses yet continued to cite three significant deficiencies identified in prior years. The significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and internal control over accounts receivable with the public (benefit overpayments).

We resolve the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment. We focus on increasing cross-component collaboration by involving subject matter experts and leaders across the agency. While each year we make progress in remediating elements of these significant deficiencies, we face challenges, such as the ever-changing cybersecurity landscape in which we operate. Many elements of our remediation plans will take time to implement. Nonetheless, we remain committed to continuous improvement. We provide additional information on the auditors' findings and our corrective actions in the *Analysis of Systems, Controls, and Legal Compliance* and *Report of Independent Certified Public Accountants* sections of this report.

I am pleased to announce that we received a Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants for our FY 2020 AFR. This is our 23rd consecutive year receiving this prestigious award, which is an unprecedented accomplishment in Federal financial management, and demonstrates our commitment to being good stewards of taxpayer dollars. In addition, we received a CEAR Best-In-Class award for exceptional reporting on our Coronavirus Disease 2019 (COVID-19) pandemic response in our FY 2020 AFR.

The accomplishments in this report reflect our employees' dedication. They work hard every day to ensure the success of our financial management program, while helping to carry out our mission and provide the quality of service the public expects and deserves.

For additional information on how the Office of the Chief Financial Officer contributed to accomplishing our mission, please refer to the *Financial Management Initiatives Advancing Our Mission* section beginning on the following page. We will continue to build upon our sustained commitment to financial excellence to ensure optimal stewardship of the resources we manage.

Respectfully,

Michelle A. King

Michelle A. King

Baltimore, Maryland
November 10, 2021

Financial Management Initiatives Advancing Our Mission

Our Chief Financial Officer (CFO) also serves as the Performance Improvement Officer. This dual role provides a unique position overseeing the full life cycle of agency initiatives and goals—from the development of the *Agency Strategic Plan,* which drives budget decisions and annual performance plans, to the financial management of resources and performance reporting. The mission of the Office of the Chief Financial Officer (OCFO) is financial management excellence. The following are key financial management initiatives that advance this mission and the agency's mission, Strategic Goals, and Objectives:

Debt Management

- **Remittance Modernization to Improve Service Delivery**: OCFO is leading our remittance modernization efforts. Historically, our remittance process was a largely manual paper workload handled by our Mid-Atlantic Program Service Center (MATPSC). The MATPSC remittance process requires a method of payment (check, money order, or debit or credit card) and a corresponding payment coupon necessary to update a debtor's record. In FY 2021, as part of the Debt Management Product, we implemented several improvements to our remittance process. These enhancements, along with our previously implemented Social Security Electronic Remittance System, now account for almost 50 percent of our remittance activity.
  - **Pay.gov**: In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for Old-Age, Survivors, and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients to repay benefit overpayments via credit or debit card and an automated clearing house (ACH) (i.e., a checking or savings account). As of September 30, 2021, we processed 323,585 remittances and collected $79.5 million through Pay.gov.
  - **Lockbox Service**: Also, in January 2021, we partnered with Treasury to use U.S. Bank, a financial agent for Treasury, to implement a lockbox service to assist with our paper remittance processing efforts. In February 2021, we began routing paper remittances to the lockbox for processing, which relieved our Remittance Accounting Unit, and allowed them to focus on other workloads. As of September 30, 2021, we processed 196,554 remittances and collected $37.7 million through the lockbox service.
  - **Online Bill Pay**: In July 2021, we implemented Online Bill Pay (OLBP), allowing debtors to make a one-time or recurring ACH draft from a bank account using a personal computer or mobile phone. Prior to this implementation, OLBP remittances defaulted to paper checks. As of September 30, 2021, we processed 419 remittances and collected $0.1 million through OLBP.
- **Program Debt Write-Off**: In FY 2021, we completed a multi-phase 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 debts, we will better reflect current receivables on our records and financial statements, as well as reduce the number of actions from the processing center 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.

Public Service

- **Economic Impact Payments**: The *American Rescue Plan Act of 2021* (ARP Act) authorized a third round of Economic Impact Payments (EIP). On March 17, 2021, we executed a reimbursable agreement with Treasury's Internal Revenue Service (IRS) to support the issuance of a third round of EIPs. The ARP Act provided that eligible taxpayers would receive a third EIP of up to $1,400 for individuals or $2,800 for married couples. Individuals would also receive $1,400 for each qualifying dependent child. Based upon their income, some of our OASDI beneficiaries and SSI recipients are not required to file Federal tax returns. OCFO worked closely with IRS and Treasury's Bureau of Fiscal Service to ensure that all eligible OASDI beneficiaries and SSI recipients received their EIPs automatically. We sent notices to 8.5 million SSI recipients notifying them of actions they can take to receive missing EIPs and to find information about the Child Tax Credits authorized by ARP.

- **Keeping Employees and the Public Safe**: 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 transitioned to telework and in FY 2021 conducted most workloads through online, telephone, and video service with limited in-office service for critical situations. OCFO procured supplies for the COVID-19 pandemic, including health and safety items for our offices nationwide, as well as permanent and temporary barriers.
- **Advancing Equity in Our Programs**: Equity is the bedrock of American democracy, and our diversity is one of our country's greatest strengths. In FY 2021, we established the Agency Equity Team in accordance with Executive Order (EO) 13985, *Advancing Racial Equity and Support for Underserved Communities through the Federal Government*, to coordinate agency-wide and interagency efforts, and discuss opportunities to ensure equity in our programs. The Agency Equity Team has established several workgroups to address program and policy topics regarding disparities that underserved communities and individuals may face in accessing programs and services, and we are working on activities in accordance with the EO.

EFFICIENCY

- **Compassionate And REsponsive Service Plan**: In FY 2021, as a result of our Compassionate And REsponsive Service plan, the Administration's and Congress' support, and the hard work of our employees, we reduced the hearings backlog to the lowest level in 20 years. In FY 2021, we received $50 million in dedicated funding to reduce the hearings backlog. Over the last 5 years, Congress has provided $440 million in special funding dedicated to address the hearings backlog. From budget planning, execution, and reporting, to providing ongoing medical and vocational contractual support for hearings cases, OCFO remains engaged to improve the hearings process.
- **Large Site Activities**: OCFO continues to identify opportunities to improve the use of space at our large site facilities, while simultaneously reducing costs. In FY 2021, we continued renovations at our headquarters facilities, which will allow us to move staff onto campus to vacate the Security West building at the end of FY 2023 – one year ahead of schedule. Once complete, this project will yield $17 million in annual rent savings. We also collaborated with the General Services Administration (GSA) on a prospectus-level project for our space requirements in the National Capital Region (which includes Washington, DC, and parts of Maryland and Virginia), where GSA is negotiating a new lease to consolidate our staff in a single location with significant space savings. These projects leverage our revised space allocation standards that will enable us to reduce our real property footprint, reduce costs, and meet the objectives associated with OMB's real property capital planning requirements and the *Federal Assets Sale and Transfer Act*. We also collaborated with GSA on a prospectus-level project at the Frank Hagel Federal Building in Richmond, CA that will address needed infrastructure updates to the building.
- **Robotic Process Automation**: In FY 2020, OCFO implemented robotic process automation (RPA) that allowed for the automated posting of returned SSI payments, made after death, to the Supplemental Security Income Record. In FY 2021, this RPA automatically posted over 29,000 transactions, averaging 3 seconds per transaction, versus the 3 minutes per transaction required in the previous manual process. OCFO added RPA that verifies the automated posting of returned SSI payments, made after death, to the Supplemental Security Income Record. Under the manual verification process, we processed an average of 20,000 returned payments annually, spending approximately 5 minutes per transaction. From the May 2021 implementation through the end of FY 2021, the RPA processed over 11,000 verifications, averaging about 20 seconds per transaction.
- **Climate Change**: In support of the Administration's goal to combat the climate crisis, OCFO developed the Climate Action Plan in August 2021. Our Climate Action Plan demonstrates our commitment to bolstering adaptation to climate change and conserving resources by encouraging employees and contractors to reduce

energy consumption, water usage, and the amount of waste produced, as well as promote re-use and recycling whenever possible. We established an internal working group consisting of key stakeholders to develop a plan to meet the clean and zero emissions vehicles mandated by EO 14008, and continue improving our understanding of climate change risks through interagency initiatives and the National Climate Task Force.

INTERNAL CONTROLS

- **Enterprise Risk Management**: During FY 2021, OCFO continued to mature our Enterprise Risk Management (ERM) program. 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. We further aligned ERM with our Cybersecurity and Enterprise Fraud Risk Management programs, including developing an Integration Framework to assist with integrating agency programs with ERM, finalizing our risk appetite statement; conducting market research on obtaining a Governance, Risk, and Compliance Tool to assist with our ERM efforts; and developing an evaluation process to determine our ERM maturity.

This page was intentionally left blank.

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Our agency's financial statements and additional information for fiscal years (FY) 2021 and 2020 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2021 and 2020, amounts of economic benefits we owned or managed (assets), amounts we owed (liabilities), and residual amounts we retained, comprising the difference (net position). We provide a Balance Sheet by major program as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2021 and 2020. Our net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by our major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. We provide a Schedule of Net Cost to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2021 and 2020. Changes to the two components of net position, Unexpended Appropriations and Cumulative Results of Operations, affect its balance. The Statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. We provide a Schedule of Changes in Net Position to present the change in net position by major program as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to us, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2021 and 2020. We provide an additional Schedule of Budgetary Resources as Required Supplementary Information to present budgetary resources by major program.
- The **Statements of Social Insurance** present the present value for the 75-year projection period of the estimated Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest income and cost expected to arise from the formulas specified in current law for current and future program participants. We present the difference between these values on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund reserves at the beginning of the period. This information is presented for the current year and for each of the four preceding years.
- The **Statements of Changes in Social Insurance Amounts** reconcile the changes, from one 75-year valuation period to the next, in the present value for the 75-year projection period of the estimated OASI and DI future noninterest income less estimated future cost for current and future participants (the open group measure). The Statements show two reconciliations: (1) change from the period beginning on January 1, 2020 to the period beginning on January 1, 2021; and (2) change from the period beginning on January 1, 2019 to the period beginning on January 1, 2020. The Statements identify several categories of changes and provide reasons for significant changes in the accompanying notes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cash flow projections, the long-range projections of the ratio of contributors to beneficiaries, and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values for the 75-year projection period of the OASI and DI programs. The financial and actuarial disclosures include a narrative describing the program, including how the program is financed and how benefits are calculated, as well as an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2021 and 2020

(Dollars in Millions)

	2021	2020
Assets		
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 8,211**	$ 7,992
Investments (Note 5)	**2,870,625**	2,926,832
Accounts Receivable, Net (Note 6)	**1,365**	898
Advances and Prepayments (Note 8)	**108**	75
Total Intragovernmental	**2,880,309**	2,935,797
With the Public		
Accounts Receivable, Net (Notes 3 and 6)	**8,636**	9,500
General Property, Plant, and Equipment, Net (Note 7)	**4,372**	3,765
Total with the Public	**13,008**	13,265
Total Assets	**$ 2,893,317**	$ 2,949,062
Liabilities (Note 9)		
Intragovernmental:		
Accounts Payable	**$ 5,314**	$ 5,444
Advances from Others and Deferred Revenue	**1**	3
Other Liabilities	**3,812**	4,370
Total Intragovernmental	**9,127**	9,817
With the Public		
Accounts Payable	**305**	331
Federal Employee and Veteran Benefits	**715**	704
Benefits Due and Payable	**110,850**	108,106
Advances from Others and Deferred Revenue	**203**	215
Other Liabilities	**326**	316
Total with the Public	**112,399**	109,672
Total Liabilities	**$ 121,526**	$ 119,489
Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - Funds from other than Dedicated Collections	**$ 4,889**	$ 5,048
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	**2,761,448**	2,819,572
Cumulative Results of Operations - Funds from other than Dedicated Collections	**5,454**	4,953
Total Cumulative Results of Operations	**2,766,902**	2,824,525
Total Net Position	**$ 2,771,791**	$ 2,829,573
Total Liabilities and Net Position	**$ 2,893,317**	$ 2,949,062

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2021 and 2020
(Dollars in Millions)

	2021	2020
OASI Program		
Benefit Payment Expense	**$ 986,398**	$ 944,494
Operating Expenses (Note 11)	**3,958**	3,732
Total Cost of OASI Program	**990,356**	948,226
Less: Exchange Revenues (Note 12)	**(20)**	(13)
Net Cost of OASI Program	**990,336**	948,213
DI Program		
Benefit Payment Expense	**139,818**	144,506
Operating Expenses (Note 11)	**2,846**	2,834
Total Cost of DI Program	**142,664**	147,340
Less: Exchange Revenues (Note 12)	**(34)**	(32)
Net Cost of DI Program	**142,630**	147,308
SSI Program		
Benefit Payment Expense	**53,918**	54,837
Operating Expenses (Note 11)	**4,704**	4,745
Total Cost of SSI Program	**58,622**	59,582
Less: Exchange Revenues (Note 12)	**(243)**	(241)
Net Cost of SSI Program	**58,379**	59,341
Other		
Benefit Payment Expense	**1**	1
Operating Expenses (Note 11)	**2,841**	2,884
Total Cost of Other Program	**2,842**	2,885
Less: Exchange Revenues (Note 12)	**(15)**	(9)
Net Cost of Other Program	**2,827**	2,876
Total Net Cost		
Benefit Payment Expense	**1,180,135**	1,143,838
Operating Expenses (Note 11)	**14,349**	14,195
Total Cost	**1,194,484**	1,158,033
Less: Exchange Revenues (Note 12)	**(312)**	(295)
Total Net Cost	**$ 1,194,172**	$ 1,157,738

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2021 and 2020

(Dollars in Millions)

	2021			2020		
	Funds from Dedicated Collections	**Funds from other than Dedicated Collections**	**Total**	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:						
Beginning Balances	**$ 0**	**$ 5,048**	**$ 5,048**	$ 0	$ 4,416	$ 4,416
Appropriations Received	**34,801**	**60,145**	**94,946**	39,581	61,809	101,390
Other Adjustments	**0**	**(8)**	**(8)**	0	(16)	(16)
Appropriations Used	**(34,801)**	**(60,296)**	**(95,097)**	(39,581)	(61,161)	(100,742)
Net Change in Unexpended Appropriations	**0**	**(159)**	**(159)**	0	632	632
Total Unexpended Appropriations - Ending	**0**	**4,889**	**4,889**	0	5,048	5,048
Cumulative Results of Operations:						
Beginning Balances	**$ 2,819,572**	**$ 4,953**	**$ 2,824,525**	$ 2,818,817	$ 3,761	$ 2,822,578
Appropriations Used	**34,801**	**60,296**	**95,097**	39,581	61,161	100,742
Non-Exchange Revenue						
Tax Revenues (Note 13)	**972,319**	**0**	**972,319**	984,562	0	984,562
Interest Revenues	**71,650**	**0**	**71,650**	77,413	0	77,413
Total Non-Exchange Revenue	**1,043,969**	**0**	**1,043,969**	1,061,975	0	1,061,975
Transfers-In/Out - Without Reimbursement	**(10,014)**	**8,656**	**(1,358)**	(11,246)	8,495	(2,751)
Imputed Financing Sources (Note 14)	**0**	**595**	**595**	0	558	558
Other	**7**	**(1,761)**	**(1,754)**	101	(940)	(839)
Net Cost of Operations	**1,126,887**	**67,285**	**1,194,172**	1,089,656	68,082	1,157,738
Net Change in Cumulative Results of Operations	**(58,124)**	**501**	**(57,623)**	755	1,192	1,947
Cumulative Results of Operations - Ending	**$ 2,761,448**	**$ 5,454**	**$ 2,766,902**	$ 2,819,572	$ 4,953	$ 2,824,525
Net Position	**$ 2,761,448**	**$ 10,343**	**$ 2,771,791**	$ 2,819,572	$ 10,001	$ 2,829,573

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2021 and 2020

(Dollars in Millions)

	2021	2020
Budgetary Resources (Note 15)		
Unobligated Balance From Prior Year Budget Authority, Net	**$ 6,556**	$ 5,706
Appropriations (Discretionary and Mandatory)	**1,232,394**	1,200,535
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	**15,536**	15,852
Total Budgetary Resources	**$ 1,254,486**	$ 1,222,093
Status of Budgetary Resources		
New obligations and upward adjustments		
Direct	**$ 1,246,124**	$ 1,213,435
Reimbursable	**2,529**	2,591
New obligations and upward adjustments (total)	**1,248,653**	1,216,026
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	**5,368**	5,692
Unapportioned, unexpired accounts	**27**	23
Unexpired unobligated balance, end of year	**5,395**	5,715
Expired unobligated balance, end of year	**438**	352
Unobligated balance, end of year (total)	**5,833**	6,067
Total Budgetary Resources	**$ 1,254,486**	$ 1,222,093
Outlays, Net		
Outlays, Net (Discretionary and Mandatory)	**$ 1,229,745**	$ 1,196,504
Distributed Offsetting Receipts	**(37,293)**	(42,589)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,192,452**	$ 1,153,915

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

Statements of Social Insurance
Old-Age, Survivors, and Disability Insurance
as of January 1, 2021
(Dollars in Billions)

		Estimates Reported in Prior Years			
	2021	**2020**	**2019**	**2018**	**2017**
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	**$ 1,766**	$ 1,720	$ 1,552	$ 1,451	$ 1,374
Cost for scheduled future benefits	**19,785**	18,269	16,895	15,862	14,668
Future noninterest income less future cost	**(18,019)**	(16,549)	(15,344)	(14,411)	(13,294)
Participants who have not yet attained retirement eligibility age (ages 15–61):					
Noninterest income	**37,465**	35,215	33,602	31,849	30,305
Cost for scheduled future benefits	**64,932**	59,784	55,826	52,248	50,181
Future noninterest income less future cost	**(27,467)**	(24,569)	(22,224)	(20,399)	(19,876)
Present value of future noninterest income less future cost for current participants (closed group measure)	**(45,486)**	(41,118)	(37,568)	(34,810)	(33,170)
Combined OASI and DI Trust Fund reserves at start of period	**2,908**	2,897	2,895	2,892	2,848
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund reserves at start of period	**$ (42,578)**	$ (38,220)	$ (34,673)	$ (31,918)	$ (30,322)
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Future participants (those under age 15, and to be born during period):					
Noninterest income	**$ 39,349**	$ 36,964	$ 35,311	$ 31,788	$ 30,452
Cost for scheduled future benefits	**16,604**	15,542	14,508	13,035	12,639
Future noninterest income less future cost	**22,745**	21,421	20,804	18,753	17,813
Present value of future noninterest income less future cost for current and future participants (open group` measure)	**(22,742)**	(19,696)	(16,764)	(16,057)	(15,357)
Combined OASI and DI Trust Fund reserves at start of period	**2,908**	2,897	2,895	2,892	2,848
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period	**$ (19,833)**	$ (16,799)	$ (13,869)	$ (13,166)	$ (12,509)

Notes:

Components may not sum to totals because of rounding. The accompanying notes are an integral part of these financial statements.

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

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

January 1, 2020 to January 1, 2021
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2020	$ (19,696)	$ 2,897	$ (16,799)
Reasons for changes between January 1, 2020 and January 1, 2021 (Note 17)			
Change in the valuation period	(713)	4	(709)
Changes in demographic data, assumptions, and methods	154	0	154
Changes in economic data, assumptions, and methods	(1,228)	0	(1,228)
Changes in programmatic data and methods	(1,182)	7	(1,176)
Changes in law or policy	(76)	0	(76)
Net change between January 1, 2020 and January 1, 2021	$ (3,045)	$ 11	$ (3,035)
As of January 1, 2021	**$ (22,742)**	**$ 2,908**	**$ (19,833)**

January 1, 2019 to January 1, 2020
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund reserves at start of period
As of January 1, 2019	$ (16,764)	$ 2,895	$ (13,869)
Reasons for changes between January 1, 2019 and January 1, 2020 (Note 17)			
Change in the valuation period	(616)	1	(615)
Changes in demographic data, assumptions, and methods	(444)	0	(444)
Changes in economic data, assumptions, and methods	(1,825)	0	(1,825)
Changes in programmatic data and methods	273	2	274
Changes in law or policy	(321)	0	(321)
Net change between January 1, 2019 and January 1, 2020	$ (2,932)	$ 2	$ (2,930)
As of January 1, 2020	**$ (19,696)**	**$ 2,897**	**$ (16,799)**

Notes:

Components may not sum to totals because of rounding. The accompanying notes are an integral part of these financial statements.

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

We provide high-level descriptions of the reason for the change in present value from year to year in Note 17, Social Insurance Disclosures.

Notes to the Basic Financial Statements For the Years Ended September 30, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting Entity

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

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), four general fund appropriations, three receipt accounts, and one special fund. The OASI and DI Trust Funds consist of earmarked receipts used to fund benefit payment and other related expenditures. General fund appropriations represent activities that receive appropriation authority from the Department of the Treasury's (Treasury) General Fund based on law. SSA's receipt accounts contain funds from collections that are not identified by law for another account for a specific purpose; whereas, special fund accounts contain funds collected that are identified by law for a specific purpose.

LAE is a mechanism to fund our administrative operations and is considered a subset of the OASI and DI Trust Funds. The four general funds are the Payments to Social Security Trust Funds (PTF), SSI Program, Office of the Inspector General (OIG), and Special Veterans Benefits (Title VIII) Program. The three receipt accounts are SSI Overpayment Collections, the General Fund's portion of the SSI State Supplementation fees, and SSI Attorney fees. The one special fund is SSA's portion of the SSI State Supplementation fees. SSA's financial statements also include OASI and DI investment activities performed by Treasury.

SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations activity, but also contains SSI Overpayment Collections and other non-material activities.

Accounting Principles

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

Fund Balance with Treasury

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

Investments

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

Accounts Receivable, Net

SSA accounts receivable represent unpaid amounts due to the agency. Intragovernmental Accounts Receivable, Net primarily represent amounts to be paid from the Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds to the LAE Appropriation. Accounts Receivable, Net With the Public consist mainly of monies due to SSA from OASI, DI, and SSI beneficiaries who received benefits in excess of their entitlement, as well as amounts due from the States to cover underpayments due to the SSI recipients. Intragovernmental Accounts Receivable, Net also includes amounts related to Section 4003 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments of up to $500 billion to eligible businesses, States, and municipalities impacted by the Coronavirus Disease 2019 (COVID-19) pandemic. This legislation designates the 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.

During FY 2020, we re-evaluated our program debt portfolio, specifically delinquent and uncollectible debt with the public that we were pursuing. We found that we were pursuing debt that was largely uncollectible, thereby inefficiently using our processing centers' limited resources. In FY 2020, we targeted and wrote-off a portion of our OASI and DI debt that we determined to be uncollectible to start our new debt write-off process, which contributed to the increase in write-offs compared to previous years. In FY 2021, we continued to evaluate our delinquent debt and have continued this write-off process for our SSI program debt, as well as additional OASI and DI debt. As part of this new debt write-off initiative, we have developed an automated process to evaluate debt going forward for potential write-offs.

While this debt is being written-off, it remains available for future collection. SSA can pursue collection efforts if the debtor becomes entitled to OASDI or SSI benefits. At that point, we would re-establish the accounts receivable, and pursue collections. In addition, if eligible, we will refer these delinquent debts to the Treasury Offset Program for external collection action.

SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable. According to FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and program analysis. For programmatic accounts receivable with the public, SSA allows for all delinquent debt two years and older. SSA annually recalculates a ratio of allowance for doubtful accounts and applies the allowance ratios against any remaining debt that is not delinquent two years or more. This is calculated by applying a moving five-year average of uncollectible receivable ratios and, by comparing each program's collections to new debt while considering turnover rates, against outstanding receivables. Our total allowance for doubtful accounts includes the age-specific delinquent debt two years and older plus the uncollectible portion of our remaining accounts receivable, not delinquent two years or more, based on the allowance rates. Refer to Note 6, Accounts Receivable, Net.

General Property, Plant, and Equipment

SSA records property, plant, and equipment (PP&E) in the LAE program, but the PP&E represents the capital assets purchased by its funding sources. SFFAS No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally developed, contractor-developed, and commercial off-the-shelf software. SSA classifies PP&E into several categories. The capitalization threshold for most PP&E categories is $100 thousand. Deferred Charges, which include fixtures and the Telephone Services Replacement Project, are capitalized with no threshold and $100 thousand, respectively. Site preparation for Automated Data Processing (ADP) and Telecommunications, Buildings and Other Structures, Internal Use Software, excluding commercial off-the-shelf software, and certain leasehold improvements for Federal leased buildings purchased by the Trust Funds are capitalized with no threshold. Refer to Note 7, Property, Plant, and Equipment, Net.

Benefits Due and Payable

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

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a federally recognized holiday, SSA is required to make the payment on the preceding business day. In these situations, the beneficiary or recipient is deemed entitled to receive the payment as of the payment date, as they have met all payment and eligibility requirements.

Administrative Expenses and Obligations

SSA administrative expenses are incurred in the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, SSA subsequently allocates administrative expenses during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts on the Statements of Net Cost based on percentages developed by SSA's Cost Analysis System (CAS). CAS uses agency workload data to develop annual percentages that are used to allocate the expenses. SSA initially makes all such distributions on an estimated basis and adjusts to actual each year, as provided for in Section 1534 of Title 31, United States Code (U.S.C.).

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

Recognition of Financing Sources

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

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

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

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

Funds from Dedicated Collections

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

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

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

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Application of Critical Accounting Estimates

The Statements of Social Insurance and Statements of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each Statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 17, Social Insurance Disclosures.

Presentation Change

Effective FY 2021, the Consolidated Balance Sheets and Consolidated Statements of Changes in Net Position presentations have been modified to comply with the required format in OMB's Circular No. A-136 and the FY 2021 U.S. Standard General Ledger Crosswalk. Note 5, Investments and Interest Receivable; Note 9, Liabilities; and Note 10, Funds from Dedicated Collections presentations have been modified to reflect the changes. Note 16, Reconciliation of Net Cost to Net Outlays has also been modified to comply with the Treasury prescribed crosswalk guide published in FY 2021. The FY 2020 balances have been presented in the new format for comparison purposes.

2. Centralized Federal Financing Activities

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

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

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

SSA's employees participate in the Office of Personnel Management (OPM) administered contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). SSA makes matching contributions to FERS. Pursuant to Public Law 99-335, *Federal Employees' Retirement System Act of 1986*, FERS went into effect on January 1, 1987. FERS automatically covers employees hired after December 31, 1983. Employees hired prior to that date could elect to either join FERS or remain in CSRS. Refer to Note 14, Imputed Financing, for additional information.

SSA contributed $15 and $18 million for the years ended September 30, 2021 and 2020 to CSRS. SSA contributed $838 and $760 million for the years ended September 30, 2021 and 2020 to the basic FERS plan. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute one percent of pay and match employee contributions up to an additional four percent of basic pay. SSA contributed $220 and $211 million for the years ended September 30, 2021 and 2020 to the FERS savings plan. All contributions include amounts paid and due and payable as of the end of the reporting period. These Statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by OPM.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA displays our Non-Entity Assets in Chart 3a. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable, Net; (2) fees collected to administer Title VIII State Supplementation; and (3) deferred payroll taxes owed by SSA employees due to Treasury.

Chart 3a - Non-Entity Assets as of September 30:
(Dollars in Millions)

	2021			2020		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supp Fees	2	0	2	2	0	2
With the Public:						
SSI Fed/State Accounts Receivable, Net	3,858	(476)	3,382	4,439	(415)	4,024
Deferred Payroll Taxes	18	0	18	0	0	0
Total with the Public	3,876	(476)	3,400	4,439	(415)	4,024
Total	$ 3,878	$ (476)	$ 3,402	$ 4,441	$ (415)	$ 4,026

SSA has reduced the SSI Accounts Receivable, Net, by intra-agency eliminations (see discussion in Note 6, Accounts Receivable, Net). SSI accounts receivable is recognized as a non-entity asset. Public Law 101-517, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1991*, requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund, and will not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Prior to their collection, these SSI Federal benefit overpayments are recorded as SSI Accounts Receivable from the beneficiaries. SSA recognizes this receivable due from the beneficiary as a non-entity asset since the amount owed is due to Treasury's General Fund. In FY 2021, we continued to evaluate agency delinquent programmatic debt to identify and write-off amounts deemed uncollectible. This resulted in a decrease in SSI Accounts Receivable, Net, which can be seen in Chart 3a above. As part of this new debt initiative, we have also implemented an automated process to evaluate debt going forward and identify potential write-offs. When a beneficiary does not receive a full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

SSA collects fees for administering Title VIII Supplementation benefit payments on behalf of the State of California. These funds, upon deposit, are assets of Treasury's General Fund and are a non-entity asset. Amounts collected during the fiscal year are classified as exchange revenue, and are included in the Fund Balance with Treasury as of September 30, 2021 and 2020.

On August 8, 2020, the President issued the *Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster.* This Memorandum deferred certain payroll taxes owed by employees whose pre-tax bi-weekly payroll payments were less than $4,000 starting on September 1, 2020 through December 31, 2020. While the payroll tax is deferred, Treasury will be repaid any deferred taxes through employee payments beginning January 1, 2021 through December 31, 2021. SSA employees were informed that they will be responsible for repayment of the deferred taxes so a non-budgetary, non-federal receivable has been recorded. SSA recognizes the receivable owed by SSA employees due to Treasury as a non-entity asset.

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

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

	2021		2020	
Non-Entity Assets	$	3,402	$	4,026
Entity Assets		2,889,915		2,945,036
Total Assets	$	2,893,317	$	2,949,062

4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Fund Balance with Treasury is an asset to SSA, but not to the Government as a whole, because SSA's asset is offset by a liability of the General Fund. When disbursements are made, Treasury finances those disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Chart 4, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. The amounts in Chart 4, Status of Funds Unobligated (Available, Unavailable) and Obligated Balance Not Yet Disbursed represent budgetary authority for SSI and Other program general fund budgetary sources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4 since OASI and DI Trust Fund cash balances are held in investments until needed and do not directly correspond with the budgetary lines shown in the chart. Therefore, amounts in Chart 4 will not match corresponding activity on the Combined Statements of Budgetary Resources.

Chart 4 - Status of Fund Balances as of September 30:
(Dollars in Millions)

	2021		2020	
Unobligated Balance				
Available	$	4,875	$	5,065
Unavailable		47		42
Obligated Balance Not Yet Disbursed		3,111		3,041
OASI, DI, and LAE		138		(195)
Non-Budgetary Fund Balance with Treasury		40		39
Total Status of Fund Balances	$	8,211	$	7,992

The Unobligated Balance, Available in Chart 4 contains Category C funding which is an amount apportioned by OMB, for multi-year or no-year accounts, that is available for use in a future fiscal year. SSA Category C funding is $255 and $265 million as of September 30, 2021 and 2020. These funds are related to the SSI State Supplemental advances for the October 1st benefit payments, SSI Beneficiary Services, and SSI Research & Demonstration activity.

The fund balance reported in Chart 4 for the total OASI, DI, and LAE Trust Funds as of September 30, 2021 and 2020 can be positive or negative as the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, SSA does not reclassify a negative balance as a liability on the Consolidated Balance Sheets.

5. INVESTMENTS AND INTEREST RECEIVABLE

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

SSA displays investments in Special-Issue U.S. Treasury Securities, and the corresponding interest receivable, reported as Intragovernmental Investments on the Consolidated Balance Sheets, in Chart 5.

Chart 5 - Investments as of September 30:
(Dollars in Millions)

	2021			2020		
	Special Issue Securities	Interest Receivable	Total Investments	Special Issue Securities	Interest Receivable	Total Investments
OASI	$ 2,755,785	$ 16,180	$ 2,771,965	$ 2,811,213	$ 17,744	$ 2,828,957
DI	98,032	628	98,660	97,210	665	97,875
Total	$ 2,853,817	$ 16,808	$ 2,870,625	$ 2,908,423	$ 18,409	$ 2,926,832

The interest rates on these investments range from 0.750 to 5.000 percent. The accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the year 2022 to the year 2036.

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

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

6. ACCOUNTS RECEIVABLE, NET

INTRAGOVERNMENTAL

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $1,365 and $898 million as of September 30, 2021 and 2020 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $3,219 and $3,534 million as of September 30, 2021 and 2020 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements. Intragovernmental Accounts Receivable, Net also includes amounts related to the Section 4003 of the CARES Act, Emergency Relief and Taxpayer Protection, which allows Treasury to make loans, loan guarantees, and other investments to eligible businesses, States, and municipalities impacted by the COVID-19 pandemic. This legislation designates the 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. We have recorded $483 million in Intragovernmental Accounts Receivable, Net for this activity as of September 30, 2021 based on Treasury's estimate of their liability owed to OASI.

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

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents Federal and State activity. The SSI Federal and State portions consist of overpayments due from SSI recipients who are no longer eligible to receive benefit payments or received benefits in excess of their eligibility. Additionally, the SSI State portion consists of amounts due from the States to cover underpayments due to the SSI recipients. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments and underpayments. Section 215 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (Banking Bill) requires SSA to provide a "permitted entity" a confirmation (or non-confirmation) of fraud protection data (i.e., Social Security number verification) based on the number holder's written consent, including by electronic signature. The Banking Bill requires SSA to fully recover all costs from the users of the verification process by way of advances, reimbursements, user fees, or other recoveries as determined by the Commissioner. To comply with the Banking Bill, SSA used its LAE account to cover non-mission costs with the expectation that these costs will be fully recovered from the users of the verification process as required by law. To account for these costs SSA has recorded a non-budgetary accounts receivable of $37 and $30 million as of September 30, 2021 and 2020, which is included in the LAE Gross and Net Receivable amounts in Chart 6a. Since the agency expects to fully recover these costs, SSA has not applied an allowance for doubtful accounts against this accounts receivable. Our LAE receivable also contains $20 and $17 million as of September 30, 2021 and 2020 that is due from employees for deferred payroll taxes based on the President's August 8, 2020 *Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster*.

Chart 6a - Accounts Receivable with the Public by Major Program as of September 30:

(Dollars in Millions)

	2021			2020		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 3,046	$ (969)	$ 2,077	$ 3,100	$ (962)	$ 2,138
DI	5,963	(2,831)	3,132	6,395	(3,076)	3,319
SSI*	11,815	(7,957)	3,858	14,853	(10,414)	4,439
LAE	60	0	60	50	0	50
Subtotal	20,884	(11,757)	9,127	24,398	(14,452)	9,946
Less: Eliminations**	(491)	0	(491)	(446)	0	(446)
Total	$ 20,393	$ (11,757)	$ 8,636	$ 23,952	$ (14,452)	$ 9,500

Notes:

*See discussion in Note 3, Non-Entity Assets

**Intra-Agency Eliminations

Chart 6a shows that in FY 2021 and FY 2020, SSA reduced gross accounts receivable by $491 and $446 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Windfall Offset is the amount of SSI that would not have been paid if retroactive OASI and DI benefits had been paid timely to eligible beneficiaries. The KZ Diary process identifies SSI recipients eligible for prior entitlement of OASI and DI benefits, and determines SSA's liability for retroactive benefits owed to beneficiaries. For each activity, SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs.

During FY 2020, as a result of the COVID-19 pandemic, SSA temporarily deferred certain workloads, such as processing certain programmatic overpayments, resulting in lower new debt than in previous years. In FY 2021, the agency resumed the majority of these suspended activities resulting in an increase in new debt established. However, this increase in gross receivables is offset by increased write-offs.

During FY 2020, we re-evaluated our program debt portfolio, specifically delinquent and uncollectible debt that we were pursuing. We found that we were pursuing debt that was largely uncollectible, thereby inefficiently using our processing centers' limited resources. In FY 2020, we targeted and wrote-off a portion of our OASI and DI debt that we determined to be uncollectible to start our new debt write-off process, which contributed to the increase in write-offs compared to previous years. In FY 2021, we continued to evaluate our delinquent debt and have continued this write-off process for our SSI program debt, as well as additional OASI and DI debt. As part of this new debt write-off initiative, we have developed an automated process to evaluate debt going forward for potential write-offs. By writing-off collection activity on uncollectible debt, we are better reflecting current receivables on our financial statements as well as reducing the number of actions from the processing center pending backlog. Please note that any debt terminated is still eligible for collection in the future.

As part of our Allowance for Doubtful Accounts methodology, SSA allows all delinquent debt two years and older as we estimate this debt is uncollectable based on the age of the debt. For our remaining debt, SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectible receivable ratios, based on comparing each program's collections to new debt while considering turnover rates, against outstanding receivables that are not delinquent two years and older. We add this calculated uncollectible ratio-based value to the allowed delinquent debt two years and older value to compute the total amount of allowance for doubtful accounts.

2049 System Limitation

A Title II system design limitation prevents us from capturing and tracking long-term withholding agreements for debts owed by the public scheduled for collection beyond the year 2049. Current policy allows for repayment periods based on the ability of beneficiaries to repay on a periodic basis. This allows for the establishment of payment terms, which may exceed the expected life span of the beneficiary.

When the projected collection extends beyond December 31, 2049, we perform a manual action to establish withholding through December 31, 2049, causing the system to delete the remaining debts owed by the public balance from the record. Current policy requires us to post an overpayment diary to control for follow-up of the remaining balance in December 2049. However, because our records do not reflect the post 2049 balance, subsequent correspondence to the debtor only presents the pre-2049 balance of the debts owed by the public established for withholding. The only control mechanism in place for the post 2049 balance is the manual establishment of a diary.

We do not include these balances in the Chart 6a gross receivable amounts as they are not material to the consolidated financial statements. We estimate that the total gross value of the post year 2049 amount not captured in our gross receivables, is approximately $731 and $718 million as of September 30, 2021 and 2020.

7. General Property, Plant, and Equipment, Net

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

Chart 7a - General Property, Plant, and Equipment as of September 30:
(Dollars in Millions)

Major Classes:	2021 Cost	2021 Accumulated Depreciation	2021 Net Book Value	2020 Cost	2020 Accumulated Depreciation	2020 Net Book Value
Buildings and Other Structures	$ 47	$ (22)	$ 25	$ 48	$ (21)	$ 27
Equipment (incl. ADP Hardware)	1,483	(1,117)	366	1,293	(993)	300
Internal Use Software	8,887	(5,907)	2,980	8,029	(5,463)	2,566
Leasehold Improvements	1,589	(786)	803	1,426	(711)	715
Deferred Charges*	1,146	(948)	198	1,076	(919)	157
Total	$ 13,152	$ (8,780)	$ 4,372	$ 11,872	$ (8,107)	$ 3,765

Major Classes:	Estimated Useful Life	Method of Depreciation	Capitalization Threshold
Buildings and Other Structures	50 years	Straight Line	$0
Equipment (incl. ADP Hardware)	5 years	Straight Line	$100 thousand
Internal Use Software	5-10 years	Straight Line	$0-100 thousand
Leasehold Improvements	6-33 years	Straight Line	$0-100 thousand
Deferred Charges*	12 years	Straight Line	$0-100 thousand

Note:

*Deferred Charges include fixtures (no threshold) and Telephone Services Replacement Project ($100 thousand).

Chart 7b - Reconciliation of General Property, Plant, and Equipment, Net as of September 30:
(Dollars in Millions)

	2021	2020
Balance beginning of year	$ 3,765	$ 3,438
Capitalized acquisitions	1,280	939
Depreciation expense	(673)	(612)
Balance at end of year	$ 4,372	$ 3,765

8. Advances and Prepayments

Intragovernmental Advances and Prepayments

Intragovernmental Advances and Prepayments amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Advances and Prepayments are $108 and $75 million as of September 30, 2021 and 2020.

9. Liabilities

Liabilities of Federal agencies are classified as liabilities Covered by, Not Covered by, or Not Requiring budgetary resources and are recognized when incurred. Charts 9a and 9b disclose SSA's liabilities Covered by budgetary resources, Not Covered by budgetary resources, and Not Requiring budgetary resources. Liabilities Covered by budgetary resources use available budget authority when SSA incurs the liabilities. Liabilities Not Covered by budgetary resources do not use available budget authority in the current period; these liabilities will be funded in future periods. Liabilities Not Requiring budgetary resources represent cash or receivables due to the General Fund and States, which do not require budgetary authority.

Chart 9a - Liabilities as of September 30:
(Dollars in Millions)

	2021			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental:				
Accounts Payable	$ 5,314	$ 0	$ 0	$ 5,314
Advances from Others and Deferred Revenue	1	0	0	1
Other Liabilities	96	67	3,649	3,812
Total Intragovernmental	5,411	67	3,649	9,127
With the Public				
Accounts Payable	93	54	158	305
Federal Employee and Veteran Benefits	12	703	0	715
Benefits Due and Payable	108,942	1,908	0	110,850
Advances from Others and Deferred Revenue	203	0	0	203
Other Liabilities	288	0	38	326
Total with the Public	109,538	2,665	196	112,399
Total Liabilities	$ 114,949	$ 2,732	$ 3,845	$ 121,526

Chart 9b - Liabilities as of September 30:
(Dollars in Millions)

	2020			
	Covered	Not Covered	Not Requiring	Total
Intragovernmental:				
Accounts Payable	$ 5,444	$ 0	$ 0	$ 5,444
Advances from Others and Deferred Revenue	3	0	0	3
Other Liabilities	86	68	4,216	4,370
Total Intragovernmental	5,533	68	4,216	9,817
With the Public				
Accounts Payable	106	48	177	331
Federal Employee and Veteran Benefits	11	693	0	704
Benefits Due and Payable	106,078	2,028	0	108,106
Advances from Others and Deferred Revenue	215	0	0	215
Other Liabilities	269	0	47	316
Total with the Public	106,679	2,769	224	109,672
Total Liabilities	$ 112,212	$ 2,837	$ 4,440	$ 119,489

INTRAGOVERNMENTAL LIABILITIES

ACCOUNTS PAYABLE

Intragovernmental Accounts Payable Covered by budgetary resources primarily includes an accrued liability for amounts due to the Railroad Retirement Board for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if SSA had covered railroad employment. The *Railroad Retirement Act of 1974* requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June. SSA's Railroad Retirement Interchange liability is $5,285 and $5,396 as of September 30, 2021 and 2020

Advances from Others and Deferred Revenue

Intragovernmental Advances from Others and Deferred Revenue Covered by budgetary resources include advances from the Department of Homeland Security for services to be performed by SSA.

Other Liabilities

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for payroll taxes, excluding deferred payroll taxes. Intragovernmental Other Liabilities Covered, shown in Charts 9a and 9b, are current liabilities. Intragovernmental Other Liabilities, Not Covered by budgetary resources includes amounts for deferred payroll taxes based on the President's August 8, 2020 *Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster* due to Treasury. SSA's payroll tax deferral liability is $18 and $17 million as of September 30, 2021 and 2020. Intragovernmental Other Liabilities Not Covered by budgetary resources also includes amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to the DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portions of FECA liability are $49 and $51 million as of September 30, 2021 and 2020. Intragovernmental Other Liabilities Not Requiring budgetary resources includes amounts due to Treasury's General Fund, which primarily consists of a payable for SSI Federal benefit overpayments. SSA records a payable equal to the SSI Federal benefit overpayments receivable when the agency identifies overpayments. Refer to Note 3, Non-Entity Assets, for additional information on the SSI receivables established for the repayment of SSI benefit overpayments. Intragovernmental Other Liabilities Not Requiring budgetary resources are current and non-current depending on when the benefit overpayment collections are received. Chart 9c displays a breakout of Intragovernmental Other Liabilities as of September 30, 2021 and 2020.

Chart 9c - Intragovernmental Other Liabilities as of September 30:
(Dollars in Millions)

	2021	2020
Employer Contributions and Payroll Taxes Payable	$ 95	$ 85
Unemployment Compensation Liability	1	1
Unfunded FECA Liability	49	51
Liability to the General Fund for Non-Entity Assets	3,649	4,216
Other Liabilities w/o related budgetary obligations	18	17
Total Other Liabilities	$ 3,812	$ 4,370

Liabilities with the Public

Accounts Payable

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

Federal Employee and Veteran Benefits

Federal Employee and Veteran Benefits Not Covered by budgetary resources includes amounts for leave earned but not taken and the non-current portion of FECA, which is an actuarial liability. The non-current portion of $274 and $281 million as of September 30, 2021 and 2020 represents the expected liability from FECA claims for the next 23-year period. DOL calculated this actuarial liability using historical payment data to project future costs.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 9d shows the amounts for SSA's major programs as of September 30, 2021 and 2020. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, budgetary resources cover the unadjudicated cases.

Chart 9d - Benefits Due and Payable as of September 30:
(Dollars in Millions)

	2021	2020
OASI	$ 87,397	$ 83,717
DI	20,472	21,432
SSI	3,472	3,403
Subtotal	111,341	108,552
Less: Intra-agency eliminations	(491)	(446)
Total Benefits Due and Payable	$ 110,850	$ 108,106

Chart 9d also shows that as of FY 2021 and FY 2020, SSA reduced gross Benefits Due and Payable by $491 and $446 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Refer to Note 6, Accounts Receivable, Net.

Advances from Others and Deferred Revenue

SSA's Advances from Others and Deferred Revenue Covered by budgetary resources is primarily comprised of SSI State Supplemental amounts collected in advance of future SSI benefit payments made by SSA on the State's behalf.

Other Liabilities

SSA's Other Liabilities consist of liabilities Covered by and Not Requiring budgetary resources. Other Liabilities Covered by budgetary resources is primarily comprised of accrued payroll. Other liabilities Not Requiring budgetary resources consists of unapplied deposit funds. Other Liabilities are current in nature with the exception of $18 million of Not Requiring unapplied deposit funds as of September 30, 2021 and 2020. Chart 9e displays a breakout of Other Liabilities with the Public as of September 30, 2021 and 2020.

Chart 9e - Other Liabilities as of September 30:
(Dollars in Millions)

	2021	2020
Accrued Funded Payroll and Leave	$ 288	$ 269
Other Liabilities w/o related budgetary obligations	38	47
Total Other Liabilities	$ 326	$ 316

Federal Leases

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

Chart 9f- Future Operating Lease/Occupancy Agreement Commitments as of September 30:
(Dollars in Millions)

Fiscal Year	GSA OAs	
2022	$	138
2023		136
2024		123
2025		108
2026		103
2027 and Thereafter (In total)*		434
Total Future Lease Payments	$	1,042

Note:

*OAs go through the year 2036.

CONTINGENT LIABILITIES

SSA's Contingent Liabilities include pending claims with estimated potential losses that are deemed reasonably possible of having an adverse outcome. According to SFFAS 5, *Accounting for Liabilities of the Federal Government*, for legal contingencies deemed reasonably possible of having an adverse outcome, no liability is recognized; however, disclosure of the contingency is required. See disclosures of Contingent Liabilities described below:

- Various cases challenge the constitutionality of excluding residents of Puerto Rico and Guam from certain Federal assistance programs. The amount of the potential loss that could arise out of these cases may or may not be material, depending on the scope of any adverse outcome. The relative recency of two of these cases, which are on hold pending a separate Supreme Court decision, prevents us from defining the reasonable scope of any adverse outcome, including certain aspects of eligibility that affect the materiality, and thus an estimate cannot be developed at this time.
- Cases contest the application of the Windfall Elimination Provision to reduce their Social Security benefits due to the receipt of foreign government retirement benefits from 25 countries with which the United States has entered into totalization agreements. The amount of potential loss arising out of these cases is estimated to be approximately $2,197 million and $17 million for the OASI and DI Trust Funds, respectively. There is no contingent liability for the SSI program.
- Case contests SSA's method of reducing benefits under the family maximum provision for auxiliary children of retired workers whose benefits are reduced due to becoming entitled to such benefits before attaining Normal Retirement Age. Due to the relative recency of this case, we are unable to determine the estimated amount of potential loss at this time.

- Case contests the interim final rule related to SSA's implementation of a streamlined waiver process for certain overpayment debts that accrued during a defined COVID-19 pandemic period. The relative recency of this case prevents us from defining a reasonable scope of any adverse outcome and thus an estimate cannot be developed at this time.

10. Funds from Dedicated Collections

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

OASI and DI Trust Funds

The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death.

Payroll and self-employment taxes primarily fund the OASI and DI Trust Funds. Interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security benefits provide additional income to the OASI and DI Trust Funds. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds, and Note 5, Investments and Interest Receivable, for a discussion on interest.

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

Taxation on Social Security Benefits

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

SSI State Administrative Fees

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

See Charts 10a and 10b for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2021 and 2020. The Other Dedicated Funds column in Charts 10a and 10b consist of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

Chart 10a - Funds from Dedicated Collections as of September 30: Consolidating Schedule
(Dollars in Millions)

	2021					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental:						
Fund Balance with Treasury	$ 14	$ 30	$ 0	$ 44	$ 0	$ 44
Investments	2,771,965	98,660	0	2,870,625	0	2,870,625
Accounts Receivable, Federal	484	0	0	484	0	484
Total Intragovernmental Assets	2,772,463	98,690	0	2,871,153	0	2,871,153
With the Public:						
Accounts Receivable, Non-Federal	2,077	3,132	0	5,209	(4)	5,205
Total Assets	$ 2,774,540	$ 101,822	$ 0	$ 2,876,362	$ (4)	$ 2,876,358
Liabilities and Net Position						
Intragovernmental:						
Accounts Payable, Federal	$ 6,173	$ 867	$ 0	$ 7,040	$ 0	$ 7,040
With the Public:						
Accounts Payable, Non-Federal	1	4	0	5	0	5
Benefits Due and Payable	87,397	20,472	0	107,869	(4)	107,865
Total with the Public	87,398	20,476	0	107,874	(4)	107,870
Total Liabilities	93,571	21,343	0	114,914	(4)	114,910
Cumulative Results of Operations	2,680,969	80,479	0	2,761,448	0	2,761,448
Total Liabilities and Net Position	$ 2,774,540	$ 101,822	$ 0	$ 2,876,362	$ (4)	$ 2,876,358
Statement of Net Cost						
Program Costs	$ 986,398	$ 139,818	$ 0	$ 1,126,216	$ 0	$ 1,126,216
Operating Expenses	540	278	0	818	0	818
Less Earned Revenue	(1)	(20)	(126)	(147)	0	(147)
Net Cost of Operations	$ 986,937	$ 140,076	$ (126)	$ 1,126,887	$ 0	$ 1,126,887
Statement of Changes in Net Position						
Net Position Beginning of Period	$2,741,021	$ 78,551	$ 0	$ 2,819,572	$ 0	$ 2,819,572
Non-Exchange Revenue						
Tax Revenue	831,124	141,195	0	972,319	0	972,319
Interest Revenue	68,971	2,679	0	71,650	0	71,650
Total Non-Exchange Revenue	$ 900,095	$ 143,874	$ 0	$ 1,043,969	$ 0	$ 1,043,969
Net Transfers In/Out	26,783	(1,870)	(34,927)	(10,014)	0	(10,014)
Other	7	0	34,801	34,808	0	34,808
Net Cost of Operations	986,937	140,076	(126)	1,126,887	0	1,126,887
Net Change	(60,052)	1,928	0	(58,124)	0	(58,124)
Net Position End of Period	$ 2,680,969	$ 80,479	$ 0	$ 2,761,448	$ 0	$ 2,761,448

The above Chart 10a for FY 2021 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,244 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2021 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10a.

Chart 10b - Funds from Dedicated Collections as of September 30: Consolidating Schedule

(Dollars in Millions)

	2020					
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet						
Assets						
Intragovernmental:						
Fund Balance with Treasury	$ (32)	$ (146)	$ 0	$ (178)	$ 0	$ (178)
Investments	2,828,957	97,875	0	2,926,832	0	2,926,832
Accounts Receivable, Federal	1	0	0	1	0	1
Total Intragovernmental Assets	2,828,926	97,729	0	2,926,655	0	2,926,655
With the Public:						
Accounts Receivable, Non-Federal	2,138	3,319	0	5,457	(4)	5,453
Total Assets	$ 2,831,064	$ 101,048	$ 0	$ 2,932,112	$ (4)	$ 2,932,108
Liabilities and Net Position						
Intragovernmental:						
Accounts Payable, Federal	$ 6,326	$ 1,062	$ 0	$ 7,388	$ 0	$ 7,388
With the Public:						
Accounts Payable, Non-Federal	0	3	0	3	0	3
Benefits Due and Payable	83,717	21,432	0	105,149	(4)	105,145
Total with the Public	83,717	21,435	0	105,152	(4)	105,148
Total Liabilities	90,043	22,497	0	112,540	(4)	112,536
Cumulative Results of Operations	2,741,021	78,551	0	2,819,572	0	2,819,572
Total Liabilities and Net Position	$ 2,831,064	$ 101,048	$ 0	$2,932,112	$ (4)	$ 2,932,108
Statement of Net Cost						
Program Costs	$ 944,494	$ 144,506	$ 0	$ 1,089,000	$ 0	$ 1,089,000
Operating Expenses	528	282	0	810	0	810
Less Earned Revenue	(1)	(23)	(130)	(154)	0	(154)
Net Cost of Operations	$ 945,021	$ 144,765	$ (130)	$ 1,089,656	$ 0	$ 1,089,656
Statement of Changes in Net Position						
Net Position Beginning of Period	$2,740,248	$ 78,569	$ 0	$ 2,818,817	$ 0	$ 2,818,817
Non-Exchange Revenue						
Tax Revenue	841,664	142,898	0	984,562	0	984,562
Interest Revenue	74,638	2,775	0	77,413	0	77,413
Total Non-Exchange Revenue	$ 916,302	$ 145,673	$ 0	$ 1,061,975	$ 0	$ 1,061,975
Net Transfers In/Out	29,468	(1,003)	(39,711)	(11,246)	0	(11,246)
Other	24	77	39,581	39,682	0	39,682
Net Cost of Operations	945,021	144,765	(130)	1,089,656	0	1,089,656
Net Change	773	(18)	0	755	0	755
Net Position End of Period	$ 2,741,021	$ 78,551	$ 0	$ 2,819,572	$ 0	$ 2,819,572

Chart 10b for FY 2020 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,434 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2020 must be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable and Accounts Receivables, Non-Federal), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10b.

11. Operating Expenses

Classification of Operating Expenses by Major Program

Charts 11a and 11b display SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other primarily represent the HI/SMI Trust Funds' shares of SSA's operating expenses, including the Medicare Prescription Drug Program. LAE operating expenses related to the *American Recovery and Reinvestment Act of 2009* (ARRA) are recorded in the Other program, and primarily represent expenses associated with the National Support Center. LAE operating expenses related to the CARES Act are recorded in the Other program, and primarily represent expenses to prevent, prepare for, and respond to the COVID-19 pandemic, and to assist Treasury with economic impact payments. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of OASI, DI, and SSI beneficiaries.

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

	2021						
	LAE						
	SSA	OIG	CARES Act	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,372	$ 46	$ 0	$ 0	$ 524	$ 16	$ 3,958
DI	2,534	34	0	0	94	184	2,846
SSI	4,490	0	0	0	0	214	4,704
Other	2,747	32	55	7	0	0	2,841
Total	$ 13,143	$ 112	$ 55	$ 7	$ 618	$ 414	$ 14,349

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

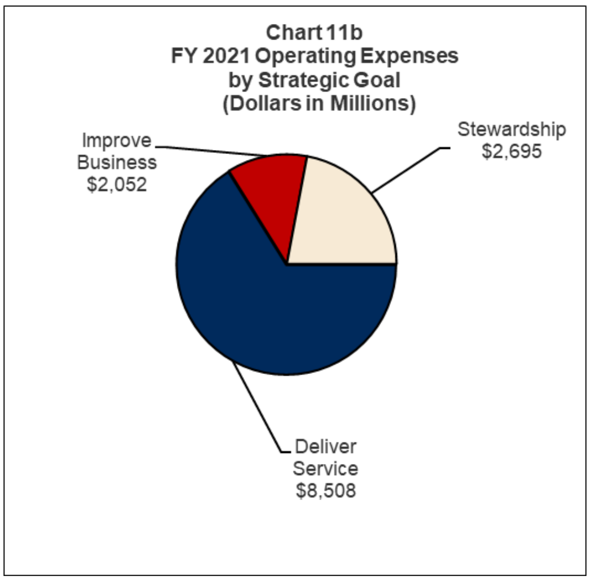
	2020						
	LAE						
	SSA	OIG	CARES Act	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,158	$ 46	$ 0	$ 0	$ 512	$ 16	$ 3,732
DI	2,516	36	0	0	93	189	2,834
SSI	4,507	0	0	0	0	238	4,745
Other	2,556	33	287	8	0	0	2,884
Total	$ 12,737	$ 115	$ 287	$ 8	$ 605	$ 443	$ 14,195

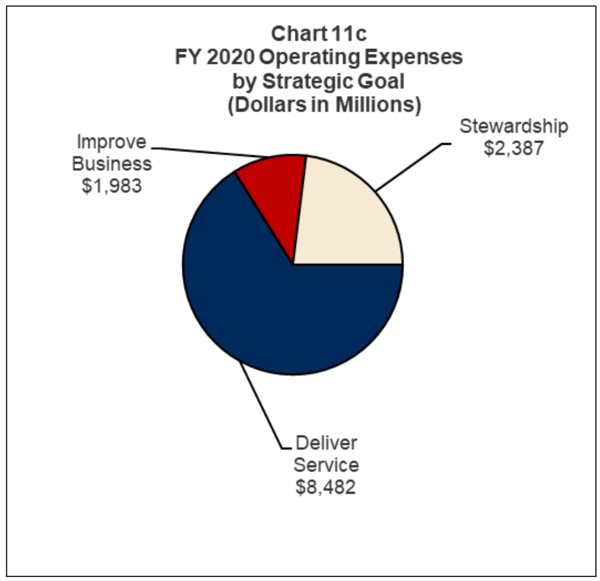
CLASSIFICATION OF OPERATING EXPENSES BY STRATEGIC GOAL

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

- Deliver Services Effectively (Deliver Service);
- Improve the Way We Do Business (Improve Business); and
- Ensure Stewardship (Stewardship).

Charts 11b and 11c exhibit the distribution of FY 2021 and FY 2020 SSA and OIG LAE operating expenses to the three APP Strategic Goals, which agree to the agency's LAE budget appropriation. The operating expenses are allocated to each goal using percentages developed using data from SSA's CAS. The percentages are calculated using agency workload data.





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

12. EXCHANGE REVENUES

SSA recognizes revenue from exchange transactions when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenue is $312 and $295 million for the years ended September 30, 2021 and 2020. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the States are $12.49 and $12.41, per payment, for the years ended September 30, 2021 and 2020. SSA has agreements with 20 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional fees are collected for handling OASI and DI Trust Fund and SSI attorney fees. Other exchange revenue consists of reimbursement for performing non-mission work for Federal and non-Federal entities. Chart 12 discloses SSA's exchange revenue by activity.

Chart 12 - Exchange Revenue as of September 30:
(Dollars in Millions)

	2021	2020
SSI State Supplementation Fees	$ 211	$ 217
SSI Attorney Fees	7	8
DI Attorney Fees	20	23
OASI Attorney Fees	1	1
Other Exchange Revenue	73	46
Total Exchange Revenue	$ 312	$ 295

SSI administrative fees are split between fees that SSA can use and fees that are entitled to Treasury's General Fund. The General Fund's portion of these administrative fees are $91 and $95 million for the years ended September 30, 2021 and 2020. Of these amounts, $84 and $87 million were collected to administer SSI State Supplementation for the years ended September 30, 2021 and 2020. SSA maintains the remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amounts of $127 and $130 million for the years ended September 30, 2021 and 2020, to defray expenses in carrying out the SSI program.

13. TAX REVENUES

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

As required by current law, the OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes.

During FY 2020, due to the impact of the COVID-19 pandemic, the IRS did not process Single and Multiple Employer Refunds. The IRS usually processes these refunds of employment taxes paid in September. The refunds are the result of employers reporting wages in excess of the applicable taxable maximum (Single Employer Refunds), or employees whose combined wages from multiple employers exceeded the applicable taxable maximum (Multiple Employer Refunds). These refunds are deducted from employment tax revenues reported in Chart 13. The FY 2020 refunds were processed in FY 2021 totaling $75 and $13 million for Single Employer Refunds, and $3,265 and $552 million for Multiple Employer Refunds, for OASI and DI respectively.

Chart 13 displays SSA's Tax Revenue, as reported on the Consolidated Statements of Changes in Net Position, by major program.

Chart 13 - Tax Revenue as of September 30:
(Dollars in Millions)

	2021	2020
OASI	$ 831,124	$ 841,664
DI	141,195	142,898
Total Tax Revenue	$ 972,319	$ 984,562

14. IMPUTED FINANCING

SSA recognizes the full cost of goods and services that we receive from other entities on our Consolidated Statements of Net Cost. In some instances, goods or services provided by one Federal entity to another may not be fully reimbursed by the receiving entity. The unreimbursed portion of these costs is considered an imputed cost, and must be recognized on the receiving entity's Statement of Net Cost. The funding for these imputed costs is recognized as an imputed financing source on the receiving entity's Statement of Changes in Net Position. SSA has activities with OPM and Treasury that require imputed costs and financing sources to be recognized. While the imputed financing sources are shown on the face of the Consolidated Statements of Changes in Net Position, the imputed costs are included in the operating expense amounts reported on the Consolidated Statements of Net Cost.

OPM administers three earned benefit programs for civilian Federal employees: (1) the Retirement Program, comprised of the CSRS and the FERS; (2) the Federal Employees Health Benefits Program (FEHBP); and (3) the Federal Employee Group Life Insurance Program (FEGLI). The total service costs for SSA employee pensions, life, and health insurance are financed by contributions of SSA, participating employees, and OPM. The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,428 and $1,318 million for the years ended September 30, 2021 and 2020, as a portion of operating expenses. The expense represents the current and estimated future costs of SSA and OPM for SSA employee pensions, life, and health insurance. SSA is responsible for a portion of the costs of each benefit program during the fiscal year, while the remaining costs are covered by OPM. SSA recognizes these costs on our financial statements as an imputed cost, with a corresponding imputed financing source.

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

Chart 14 discloses SSA's imputed financing sources by activity.

Chart 14 - Imputed Financing Sources as of September 30:
(Dollars in Millions)

	2021	2020
Employee Benefits (OPM)		
CSRS*	$ 58	$ 45
FERS	3	0
FEHBP	514	494
FEGLI	1	1
Total Employee Benefits	576	540
SSI Benefit Payments (Treasury)	17	17
Judgment Fund (Treasury)	2	1
Total Imputed Financing Sources	$ 595	$ 558

Note:

*The FY 2020 CSRS amounts are offset by $19 million of excess FY 2020 FERS employer contributions over program service cost.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $1,232,394 and $1,200,535 million for the years ended September 30, 2021 and 2020. Appropriations Received on the Consolidated Statements of Changes in Net Position are $94,946 and $101,390 million for the same periods. The differences of $1,137,448 and $1,099,145 million primarily represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflect new appropriations received during the year; however, those amounts do not include dedicated receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the General Fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Fiscal Service where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Because OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required SF-133. These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Permanent Indefinite Appropriation

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

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

Legal Arrangements Affecting Use of Unobligated Balances

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

Chart 15a provides an overview of fiscal year budgetary receipt and obligation information for the OASI and DI Trust Funds. SSA compares the current year receipts to the current year obligations incurred to determine the excess or shortfall for a fiscal year.

Chart 15a - OASI and DI Trust Fund Activities as of September 30:
(Dollars in Millions)

	2021			2020		
	OASI	DI	Total	OASI	DI	Total
Receipts	$ 935,997	$ 144,413	$ 1,080,410	$ 955,597	$ 147,489	$ 1,103,086
Less: Obligations	994,976	142,452	1,137,428	953,157	145,861	1,099,018
Excess of Receipts Over Obligations	$ (58,979)	$ 1,961	$ (57,018)	$ 2,440	$ 1,628	$ 4,068

The overall Net Position of the OASI and DI Trust Funds included in Net Position, on the Consolidated Statements of Changes in Net Position, are $2,680,486 and $80,479 million for the year ended September 30, 2021, compared to $2,741,021 and $78,551 million for the year ended September 30, 2020.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that SSA has not actually or constructively received. The total undelivered orders contain unpaid undelivered orders and advances, with unpaid orders making up the majority of the total. Chart 15b provides the undelivered orders amount by Federal, non-Federal, paid, and unpaid.

Chart 15b - Undelivered Orders as of September 30:
(Dollars in Millions)

	2021			2020		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 777	$ 2,085	$ 2,862	$ 905	$ 2,161	$ 3,066
Paid Undelivered Orders	108	0	108	76	0	76
Total Undelivered Orders	$ 885	$ 2,085	$ 2,970	$ 981	$ 2,161	$ 3,142

EXPLANATION OF DIFFERENCES BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

SSA conducted a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2020. All differences shown in the chart below are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government. Distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 15c presents a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2020.

Chart 15c - Explanation of Differences Between Combined Statement of Budgetary Resources and the Budget of the U.S. Government for FY 2020:
(Dollars in Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 1,222,093	$ 1,216,026	$ 42,589	$ 1,153,915
Expired activity not in President's Budget	(422)	0	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	42,589
Other	2	2	1	1
Budget of the U.S. Government	$ 1,221,673	$ 1,216,028	$ 42,590	$ 1,196,505

A reconciliation has not been conducted for the year ended September 30, 2021 since the actual budget data for FY 2021 will not be available until the President's Budget is published. Once available, the actual budget data will be located on OMB's Appendix website (www.whitehouse.gov/omb/appendix/).

16. Reconciliation of Net Cost to Net Outlays

Chart 16 presents a reconciliation between SSA's budgetary and financial accounting. Budgetary accounting is used for planning and spending control purposes. The net outlays portion of budgetary accounting focuses on the receipt and use of cash. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The net costs portion of financial accounting focuses on expenses and revenue.

The reconciliation below shows the relationship between SSA's net outlays, presented on a budgetary cash basis and derived from the Combined Statements of Budgetary Resources, and net costs, presented on an accrual basis and derived from the Consolidated Statements of Net Cost, by identifying and explaining key items that affect one statement but not the other. Examples of this include transfers of authority, which affect net outlays but not net cost, or depreciation of capitalized assets that affect net cost, but not net outlays.

Chart 16 - Reconciliation of Net Cost to Net Outlays for the Years Ended September 30, 2021 and 2020

(Dollars in Millions)

	2021			2020		
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
Net Cost	**$ 4,652**	**$ 1,189,520**	**$ 1,194,172**	$ 4,392	$ 1,153,346	$ 1,157,738
Components of Net Cost That Are Not Part of Net Outlays:						
Property, plant, and equipment depreciation	**0**	**(673)**	**(673)**	0	(612)	(612)
Increase/(decrease) in assets:						
Accounts receivable	**482**	**(820)**	**(338)**	(4)	(4,076)	(4,080)
Other assets	**33**	**0**	**33**	21	0	21
(Increase)/decrease in liabilities:						
Accounts payable	**15**	**27**	**42**	7	98	105
Benefits Due and Payable	**0**	**(2,789)**	**(2,789)**	0	(1,932)	(1,932)
Federal Employee and Veteran Benefits Payable	**0**	**(11)**	**(11)**	0	(62)	(62)
Other liabilities	**561**	**(7)**	**554**	1,780	(47)	1,733
Financing sources						
Imputed Costs	**(594)**	**0**	**(594)**	(558)	0	(558)
Total Components of Net Cost That Are Not Part of Net Outlays	**$ 497**	**$ (4,273)**	**$ (3,776)**	$ 1,246	$ (6,631)	$ (5,385)
Components of Net Outlays That Are Not Part of Net Cost:						
Acquisition of capital assets	**0**	**1,280**	**1,280**	155	784	939
Financing Sources						
Transfers out(in) without reimbursement	**(484)**	**0**	**(484)**	7	0	7
Expenditure Transfers Collected/Disbursed	**1,940**	**0**	**1,940**	2,515	0	2,515
Total Components of Net Outlays That Are Not Part of Net Cost	**$ 1,456**	**$ 1,280**	**$ 2,736**	$ 2,677	$ 784	$ 3,461
Miscellaneous Items						
Custodial/Non-Exchange Revenue	**(106)**	**(98)**	**(204)**	(1)	(193)	(194)
Non-Entity Activity	**(476)**	**0**	**(476)**	(1,705)	0	(1,705)
Total Other Reconciling Items	**(582)**	**(98)**	**(680)**	(1,706)	(193)	(1,899)
Net Outlays	**$ 6,023**	**$ 1,186,429**	**$ 1,192,452**	$ 6,609	$ 1,147,306	$ 1,153,915

The $2,789 million increase in Benefits Due and Payable for the year ended September 30, 2021, is primarily related to amounts owed to program recipients that have not yet been paid as of the balance sheet date. The increased Benefits Due and Payable when comparing FY 2021 to FY 2020 is due primarily to a 1.3 percent Cost of Living Adjustment beneficiaries received in 2021 and an increase in the number of beneficiaries during FY 2021. This accrued payable is included in net cost, but not included in net outlays. The $1,280 million in Acquisition of Capital Assets for the year ended September 30, 2021, primarily consists of capitalized costs associated with Internal Use Software. The purchases of assets are part of net outlays, but not part of net cost. For additional information, refer to Note 7, General Property, Plant, and Equipment, Net. The $1,940 million in Expenditure Transfers Disbursed for the year ended September 30, 2021, is primarily related to disbursements from the OASI/DI Trust Funds to cover SSA's costs of the Railroad Retirement Interchange. The disbursements are part of net outlays, but not part of net cost. Refer to Note 9, Liabilities, for additional information on the Railroad Retirement Interchange.

For FY 2020, the $4,080 million decrease in Accounts Receivable, $1,733 million in Other Liabilities, and negative $1,705 million in Non-Entity Activity, represent a decrease in Accounts Receivable and related liabilities and transfers-out to the General Fund. This is the result of our Allowance for Doubtful Accounts methodology change and our suspension of some processing of overpayments due to the COVID-19 pandemic in FY 2020.

17. Social Insurance Disclosures

Statements of Social Insurance

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

Present values are computed based on the intermediate economic and demographic assumptions described in *The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2021 Trustees Report) (www.ssa.gov/OACT/TR/2021/index.html) for the 75-year projection period beginning January 1, 2021. These assumptions represent the Trustees' reasonable estimate of likely future economic and demographic conditions. Similar present values are shown in the Statements of Social Insurance based on the prior four Trustees Reports reflecting present values on January 1 of the applicable year. Note that the projections in the 2021 Trustees Report are the first to include the Trustees' best estimates of the effects of the COVID-19 pandemic and ensuing recession on the OASDI program.

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

The present value of the estimated future excess of noninterest income over cost is shown in the Statements of Social Insurance, not only for the open group of participants, but also for the closed group of participants. The closed group of participants consists of those who, in the starting year of the projection period, have attained age 15 or older. This closed group is further divided into those who have attained retirement eligibility age (i.e., age 62 and over) in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. The Statements of Social Insurance also present the present value of estimated future noninterest income less estimated future cost *plus* the combined OASI and DI Trust Fund reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund reserves, over all past expenditures for the OASDI program. The combined OASI and DI Trust Fund reserves as of January 1, 2021 totaled $2,908 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

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

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

ASSUMPTIONS USED FOR THE STATEMENTS OF SOCIAL INSURANCE

The present values used in this presentation for the current year (2021) 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. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2021

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2021	1.54	908.3	74.6	79.9	680,000	3.16	6.22	3.06	2.7	4.4	1.5%
2030	1.87	741.5	77.0	82.0	1,339,000	1.21	3.61	2.40	0.5	2.0	4.7%
2040	1.98	683.0	78.1	82.9	1,288,000	1.19	3.59	2.40	0.3	1.9	4.7%
2050	2.00	630.3	79.2	83.8	1,256,000	1.12	3.52	2.40	0.4	2.0	4.7%
2060	2.00	583.7	80.2	84.6	1,240,000	1.16	3.56	2.40	0.4	2.0	4.7%
2070	2.00	542.3	81.1	85.4	1,229,000	1.16	3.56	2.40	0.3	1.9	4.7%
2080	2.00	505.5	82.0	86.1	1,222,000	1.13	3.53	2.40	0.4	2.0	4.7%
2090	2.00	472.7	82.8	86.7	1,218,000	1.14	3.54	2.40	0.5	2.1	4.7%
2100[11]	2.00	443.3	83.6	87.4	1,216,000	1.15	3.55	2.40	0.4	2.0	4.7%

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy at birth for a given year is the average number of years expected prior to death for a person born on January 1 in that year, using the mortality rates for that year over the course of his or her remaining life. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both as lawful permanent residents and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Values are rounded after all computations.
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is CPI-W.
8. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real GDP is the value of the total output of goods and services in 2012 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. After trust fund depletion, there would continue to be immediate investments of income in short-term certificates of indebtedness. The average annual interest rate is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
11. The valuation period used for the 2021 Statement of Social Insurance extends to 2095.

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

Table 2: Significant Long-Range Assumptions and Summary Measures Used for the Statements of Social Insurance for Current and Prior Years

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex-Adjusted Death Rates[2]	Average Annual Net Immigration (persons per year)[3]	Average Annual Real Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2021	1.99	0.74	1,248,000	1.15	3.55	2.40	0.5	2.3
FY 2020	1.95	0.76	1,261,000	1.14	3.54	2.40	0.4	2.3
FY 2019	2.00	0.77	1,265,000	1.21	3.81	2.60	0.5	2.5
FY 2018	2.00	0.77	1,272,000	1.20	3.80	2.60	0.5	2.7
FY 2017	2.00	0.77	1,286,000	1.20	3.80	2.60	0.5	2.7

Notes:

1. The total fertility rate for any year is the average number of children that would be born to a woman if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. For the Statements prior to 2021, the value presented is the ultimate total fertility rate. For the 2021 Statement, the value shown is the average annual total fertility rate for the last 65 years of the 75-year projection period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of a standard date if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. For each of the listed Statements, the standard date was April 1, 2010. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to FY 2021, the value presented is the average annual percentage reduction for each 75-year projection period. For the 2021 Statement, the value shown is the average annual percentage reduction for the last 65 years of the 75-year projection period.
3. Net annual immigration is the number of persons who enter during the year (both as lawful permanent residents and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the Statements prior to FY 2021, the value shown is the average net immigration level projected for the 75-year projection period. For the 2021 Statement, the value presented is the average net immigration level projected for the last 65 years of the 75-year projection period.
4. The annual real wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the CPI-W. The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is reached within the first 11 years of the projection period.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2017–2021 Trustees Reports. The values shown in the FY 2021 row of Table 2 are consistent with the data shown in Table 1. Estimates made prior to this year may differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect changes to actuarial assumptions and methodology in future reports.

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

Statements of Changes in Social Insurance Amounts

The Statements of Changes in Social Insurance Amounts reconcile changes, from the beginning of one 75-year valuation period to the next, in the: (1) present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years; (2) starting reserves of the combined OASI and DI Trust Funds; and (3) present value of estimated future noninterest income less estimated future cost for current and future participants over the next 75 years plus the reserves of the combined OASI and DI Trust Funds. These values are included in the Statements of Social Insurance. The Statements of Changes in Social Insurance Amounts show two reconciliations: (1) change from the period beginning on January 1, 2020 to the period beginning on January 1, 2021; and (2) change from the period beginning on January 1, 2019 to the period beginning on January 1, 2020. The reconciliation identifies several changes that are significant and provides reasons for the changes.

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

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

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

Change in the Valuation Period

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2020–2094) to the current valuation period (2021–2095) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2020, replaces it with a much larger negative estimated net cash flow for 2095, and measures the present values as of January 1, 2021, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2020–2094 to 2021–2095. In addition, the effect on the level of reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2020 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.7 trillion.

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2019–2093) to the current valuation period (2020–2094) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2019, replaces it with a much larger negative estimated net cash flow for 2094, and measures the present values as of January 1, 2020, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund reserves at the start of the period) decreased (i.e., became more negative) when the 75-year valuation period changed from 2019–2093 to 2020–2094. In addition, the effect on the level of reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2019 are realized. The change in valuation period decreased the starting level of reserves in the combined OASI and DI Trust Funds. As a result, the present value of the estimated future net cash flows decreased by $0.6 trillion.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate demographic assumptions and an associated change in methodology.

- The ultimate total fertility rate was increased from 1.95 to 2.00 children per woman. At the same time, the projection method was improved to project future birth rates using a cohort-based model, rather than a period-based model as used in the prior valuation.
- A cause of death category was added, by separating dementia out from the all-other-causes category, and ultimate mortality improvement rates were updated for cardiovascular disease for all age groups and for the all-other-causes category at ages 85 and over.

The combined effect of the change in the ultimate total fertility rate and the new cohort-based fertility model decreased the present value of estimated future net cash flows. The changes to ultimate mortality improvement rates increased the present value of estimated future net cash flows.

In addition to these changes in ultimate demographic assumptions and the associated methodology change, the starting demographic values and the way these values transition to the ultimate assumptions were changed. The most significant are identified below.

- Birth rate data through the third quarter of 2020 indicated somewhat lower birth rates than were assumed in the prior valuation.
- Death rates were increased significantly for 2020 and 2021, and to a lesser extent for 2022 and 2023, to account for the elevated deaths during the COVID-19 pandemic period.

Incorporating new birth rate data decreases the present value of the estimated future net cash flows, and the higher historical and near-term death rates due to the COVID-19 pandemic increase the present value of the estimated future net cash flows.

There were no additional notable changes in demographic methodology. Overall, changes in demographic data, assumptions, and methods caused the present value of the estimated future net cash flows to increase by $0.2 trillion.

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

For the current valuation (beginning on January 1, 2020), there was one change to the ultimate demographic assumptions. The ultimate total fertility rate was lowered from 2.00 to 1.95 children per woman, reflecting a continued decline in fertility rates since 2007. The decline in the total fertility rate decreased the present value of estimated future net cash flows.

In addition to this ultimate demographic assumption change, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2018 and the first quarter of 2019 indicated somewhat lower birth rates than were assumed in the prior valuation.
- Incorporating 2017 mortality data obtained from the National Center for Health Statistics for ages under 65 in addition to final 2016, preliminary 2017, and preliminary 2018 mortality data from Medicare experience for ages 65 and older resulted in higher death rates for all future years than were projected in the prior valuation.

There were no notable changes in demographic methodology. Overall, changes to these assumptions caused the present value of the estimated future net cash flows to decrease by $0.4 trillion.

Changes in Economic Data, Assumptions, and Methods

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate economic assumptions and an associated change in methodology.

- The ultimate average real wage differential was slightly increased from 1.14 percentage points in the prior valuation to 1.15 percentage points in the current valuation. Additionally, the real wage differential assumptions for the first ten years of the projection period were also increased.
- The ultimate age-sex-adjusted unemployment rate was reduced from 5.0 percent for the prior valuation to 4.5 percent in the current valuation. At the same time, the labor force participation model was updated to incorporate data from the latest complete economic cycle, thereby putting more weight on the recent relationships among the various factors affecting labor force participation.

The higher real wage differential and the combined changes to the unemployment assumption and the labor force methodology both increased the present value of estimated future net cash flows.

In addition to these changes in ultimate economic assumptions and the associated methodology change, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant are identified below.

- Near-term real interest rates were adjusted downward significantly. Real interest rates are now assumed to be negative for calendar years 2021 through 2024, with a gradual rise to the ultimate real interest rate after the economy has fully recovered from the recession.
- There were several changes in starting values and near-term economic growth assumptions primarily related to the COVID-19 pandemic and ensuing recession. In particular, the level of potential GDP is assumed to be roughly 1 percent lower than the level in the prior valuation beginning with the second quarter of 2020.

The changes to near-term real interest rates and the starting values and near-term economic growth assumptions decrease the present value of the estimated future net cash flows. The change to near-term real interest rates alone decreased the present value of the estimated future net cash flows by $0.8 trillion.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods caused the present value of the estimated future net cash flows to decrease by $1.2 trillion.

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

For the current valuation (beginning on January 1, 2020), there were four changes to the ultimate economic assumptions.

- The ultimate rate of price inflation (CPI-W) was lowered by 0.2 percentage point, from 2.6 percent in the prior valuation to 2.4 percent in the current valuation.
- The ultimate average real wage differential was decreased from 1.21 percentage points in the prior valuation to 1.14 percentage points in the current valuation. Most of this decrease is due to the repeal of the *Affordable Care Act* (ACA) excise tax, the effect of which is accounted for in the "Changes in Law or Policy" section. However, a small portion is due to faster assumed growth in employer-sponsored group health insurance premiums separate from this repeal.
- The ultimate age-sex-adjusted unemployment rate was reduced from 5.5 percent for the prior valuation to 5.0 percent in the current valuation. At the same time, long-term labor force participation rates were reduced by age and sex for the current valuation, such that projected employment rates remained essentially unchanged from the prior valuation to the current valuation.
- The ultimate real interest rate was lowered by 0.2 percentage point, from 2.5 percent in the prior valuation to 2.3 percent in the current valuation.

The lower ultimate price inflation rate, lower ultimate real interest rate, and the portion of the lower ultimate average real wage differential attributable to factors other than the repeal of the ACA decreased the present value of estimated future net cash flows. The combination of the lower ultimate unemployment rate and the lower long-term labor force participation rates had a negligible effect on the present value of estimated future net cash flows.

In addition to these changes in ultimate assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most notable change was to include a 0.7 percent decrease in the estimated level of potential GDP for the fourth quarter of 2019 and thereafter. This and other smaller changes in starting values and near-term growth assumptions combined to decrease the present value of estimated future net cash flows.

There were no notable changes in economic methodology. Overall, changes to these assumptions caused the present value of the estimated future net cash flows to decrease by $1.8 trillion.

Changes in Programmatic Data and Methods

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2020). The most significant are identified below.

- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2017, one year later than the 2016 sample used for the prior valuation. There was also an improvement made to the average benefits model to assign projected earnings by age of initial entitlement, better reflecting the change between historical and projected retired worker distributions by entitlement age.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate lower near-term and ultimate levels of revenue from taxation of OASDI benefits than projected in the prior valuation.
- The methodology for projecting retroactive benefits for retired workers was improved to better capture the different rules for workers who become newly entitled prior to normal retirement age versus those who become entitled at or after normal retirement age.

All three of these methodological improvements decreased the present value of estimated cash flows. Overall, changes to programmatic data and methods caused the present value of the estimated future net cash flows to decrease by $1.2 trillion.

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2020). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 5.2 per thousand exposed in the prior valuation to 5.0 in the current valuation. In addition, near-term assumed disability incidence rates, in the period of transition from recent historical values to the ultimate rates, are somewhat lower in the current valuation than in the prior valuation.
- The current valuation includes an improvement in the long-range model used for projecting the percentage of the population that has fully insured status.
- As in the prior valuation, the current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. The sample used for the current valuation is for worker beneficiaries newly entitled in 2016, one year later than the 2015 sample used for the prior valuation.

Lowering the disability incidence rates and the updated worker newly entitled worker sample year increased the present value of estimated future net cash flows. Updating the model for projecting the percentage of the population with fully insured status decreased the present value of estimated cash flows. Overall, changes to these assumptions and methods caused the present value of the estimated future net cash flows to increase by $0.3 trillion.

Changes in Law or Policy

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

Between the prior valuation (the period beginning on January 1, 2020) and the current valuation (the period beginning on January 1, 2021), one change in policy is expected to have a significant effect on the long-range cost of the OASDI program.

> On January 20, 2021, President Biden issued a memorandum directing the Secretary of Homeland Security to take appropriate action, in consultation with the Attorney General, to preserve and fortify the Deferred Action for Childhood Arrivals (DACA) policy consistent with applicable law. This change to preserve DACA extends indefinitely the ability of those qualifying to remain in the country and work lawfully. The effect over the next 75 years is to increase future benefits slightly more than future payroll tax revenue because: (1) a significant portion of the payroll taxes from this group has already been credited to the OASI and DI Trust Funds, while the vast majority of the OASDI benefits they will earn will be in the future, dependent on their preserving DACA status; and (2) currently scheduled payroll tax rates are not sufficient to fully finance future benefits for this group and in general.

The change to preserve DACA indefinitely decreased the present value of estimated future net cash flows by less than $0.1 trillion.

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

Between the prior valuation (the period beginning on January 1, 2019) and the current valuation (the period beginning on January 1, 2020), one new law and one new regulation are expected to have significant effects on the long-range cost of the OASDI program.

- The ACA was enacted in 2010 and specified an excise tax on employer-sponsored group health insurance premiums above a given level (commonly referred to as the "Cadillac" tax). On December 20, 2019, the

ACA's excise tax provision was repealed. The repeal of the excise tax is expected to result in an increase in the rate of growth in the average cost of employer-sponsored group health insurance. Faster growth in these premiums, which are not subject to the payroll tax, is assumed to reduce the share of employee compensation that is provided in the form of wages, which are subject to the payroll tax. As a result, the rate of growth in average real covered earnings will be reduced relative to the prior valuation.

- On February 25, 2020, SSA published a final rule in the *Federal Register* that eliminates the inability to communicate in English as an educational category in the disability determination and medical review processes. This rule is estimated to reduce the number of disabled worker beneficiaries in the long-term by 0.25 percent.

The repeal of the ACA excise tax provision decreased the present value of estimated future cash flows. The implementation of the rule eliminating the inability to communicate in English as an educational category in the disability determination and medical review processes increased the present value of estimate future cash flows. Overall, changes to laws, regulations, and policies caused the present value of the estimated future net cash flows to decrease by $0.3 trillion.

Assumptions Used for the Statements of Changes in Social Insurance Amounts

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

Period Beginning on January 1, 2020 and Ending January 1, 2021

Present values as of January 1, 2020 are calculated using interest rates from the intermediate assumptions of the 2020 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2021. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2020 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2021 Trustees Report.

Period Beginning on January 1, 2019 and Ending January 1, 2020

Present values as of January 1, 2019 are calculated using interest rates from the intermediate assumptions of the 2019 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2020. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2019 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2020 Trustees Report.

18. Reclassification of the Statement of Net Cost and Statement of Changes in Net Position for the Federal Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (FR), Treasury requires agencies to submit in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) an adjusted trial balance, which lists the amounts by U.S. Standard General Ledger accounts that appear in the agency financial statements. Treasury uses the trial balance reported in GTAS to develop a reclassified Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for each agency. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to compile to the FR statements. Effective FY 2021, SSA modified the Consolidated Balance Sheets and Note 10, Funds from Dedicated Collections to comply with the required format in OMB Circular No. A-136. Therefore, per OMB's guidance, SSA is not required to compile a reclassified Balance Sheet. This note includes the Statement of Net Cost and Statement of Net Position line items and the reclassified statement line items prior to Treasury's elimination of intragovernmental differences and aggregation of FR lines. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments. A copy of the FY 2020 FR is available on Treasury's website (www.fiscal.treasury.gov/reports-statements/financial-report/) and a copy of the FY 2021 FR will be posted to this site as soon as it is released.

SSA's FY 2021 reconciliation of agency Statement of Net Cost and Statement of Changes in Net Position amounts to Treasury's reclassified statements is included in Charts 18a and 18b. The Reclassified Net Position in Chart 18a includes intradepartmental eliminations processed by Treasury to present the Net Position at a consolidated level. The Net Position is presented at a combined level in Agency Financial Reports.

Chart 18a - Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ended September 30, 2021

(Dollars in Millions)

FY 2021 Statement of Net Cost		Line Items Used to Prepare FY 2021 Government-wide Statement of Net Cost			
Financial Statement Line	**Amount**	**Dedicated Collections**	**All Other Amounts**	**Total**	**Reclassified Financial Statement Line**
Benefit Payment Expense	**$ 1,180,135**				
Operating Expenses (Note 11)	**14,349**				
		$ 1,126,417	**$ 63,362**	**$ 1,189,779**	Non-Federal Costs
					Intragovernmental Costs
			1,426	**1,426**	Benefit Program Costs
			595	**595**	Imputed Costs
		617	**1,691**	**2,308**	Buy/Sell Costs
			376	**376**	Other Expenses (without Reciprocals)
		617	**4,088**	**4,705**	Total Intragovernmental Costs
Total Cost	**1,194.484**	**1,127,034**	**67,450**	**1,194,484**	Total Reclassified Gross Costs
		(147)	**(112)**	**(259)**	Non-Federal Earned Revenue
			(53)	**(53)**	Buy/Sell Revenue
Less: Exchange Revenues (Note 12)	**(312)**	**(147)**	**(165)**	**(312)**	Total Reclassified Earned Revenue
Total Net Cost	**$ 1,194,172**	**$ 1,126,887**	**$ 67,285**	**$ 1,194,172**	**Net Cost**

Note:

* The chart above does not contain any columns for eliminations as SSA does not have eliminations within our Statement of Net Cost.

Chart 18b - Reclassification of Statement of Changes in Net Position to Line Items Used for the Government-wide Statement of Changes in Net Position for the Year Ended September 30, 2021

(Dollars in Millions)

FY 2021 Statement of Changes in Net Position		Line Items Used to Prepare FY 2021 Government-wide Statement of Changes in Net Position					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Eliminations between Dedicated and All Other	Total	Reclassified Financial Statement Line
Unexpended Appropriations:							**Unexpended Appropriations:**
Beginning Balances	$ 5,048	$		$ 5,048		$ 5,048	Net Position, Beginning of Period - Adjusted
							Financing Sources
Appropriations Received	94,946	34,801		60,145		94,946	Appropriations Received as Adjusted (Recissions and Other Adjustments)
Other Adjustments	(8)			(8)		(8)	Appropriations Received as Adjusted (Recissions and Other Adjustments)
Appropriations Used	(95,097)	(34,801)		(60,296)		(95,097)	Appropriations Used
Net Change in Unexpended Appropriations	(159)			(159)		(159)	**Total Financing Sources**
Total Unexpended Appropriations - Ending	4,889			4,889		4,889	**Total Unexpended Appropriations - Ending**
Cumulative Results of Operations:							**Cumulative Results:**
Beginning Balances	$ 2,824,525	$ 2,819,572		$ 4,953		$2,824,525	Net Position, Beginning of Period - Adjusted
							Financing Sources
Appropriations Used	95,097	34,801		60,296		95,097	Appropriation Expended
Non-Exchange Revenue							**Federal Non-Exchange Revenue**
Tax Revenues (Note 13)	972,319	972,319				972,319	Other Taxes and Receipts
Interest Revenues	71,650	71,650				71,650	Federal Securities Interest Revenue Including Associated Gains and Losses (Non-Exchange)
Total Non-Exchange Revenue	1,043,969	1,043,969				1,043,969	**Total Federal Non-Exchange Revenue**
Transfers-In/Out - Without Reimbursement	(1,358)						**Transfers-In and Out Without Reimbursement**
				126	(126)	-	Appropriation of Unavailable Special or Trust Fund Receipt Transfers-In
		(126)			126	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		1,126,161	(1,126,161)			-	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(1,126,161)	1,126,161			-	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		34,812	(34,801)	8,539	(5,603)	2,947	Expenditure Transfers-In of Financing Sources
		(45,183)	34,801	(9)	5,603	(4,788)	Expenditure Transfers-Out of Financing Sources
		483				483	Transfers-In Without Reimbursement
Total Transfers-In/Out –Without Reimbursement	(1,358)	(10,014)	-	8,656	-	(1,358)	**Total Reclassified Transfers In/Out - Without Reimbursement**
Imputed Financing (Note 14)	595			595		595	Imputed Financing Sources
Other	(1,754)						**Non-Entity Financing Sources**
				(2,328)		(2,328)	Non-entity collections transferred to the General Fund of the U.S. Government
				567		567	Accrual for non-entity amounts to be collected/transferred to the General Fund of the U.S. Government
							Non-Federal Non-Exchange Revenue
		7				7	Other Taxes and Receipts
Total Other	(1,754)	7		(1,761)		(1,754)	**Total Reclassified Non-Entity Financing Sources and Non-Federal Non-Exchange Revenue**
Net Cost of Operations	1,194,172	1,126,887		67,285		1,194,172	**Net Cost of Operations**
Net Change in Cumulative Results of Operations	(57,623)	(58,124)		501		(57,623)	**Net Change**
Cumulative Results of Operations - Ending	$ 2,766,902	$ 2,761,448	$ -	$5,454	$ -	$ 2,766,902	**Reclassified Cumulative Results of Operations - Ending**
Net Position	$ 2,771,791	$ 2,761,448	$ -	$10,343	$ -	$ 2,771,791	**Total Reclassified Net Position**

Other Information: Balance Sheet by Major Program as of September 30, 2021
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ 14	$ 30	$ 7,963	$ 110	$ 94	$ 0	$ 8,211
Investments	2,771,965	98,660	0	0	0	0	2,870,625
Accounts Receivable, Net	484	0	0	0	4,100	(3,219)	1,365
Advances and Prepayments	0	0	81	0	27	0	108
Total Intragovernmental	2,772,463	98,690	8,044	110	4,221	(3,219)	2,880,309
With the Public							
Accounts Receivable, Net	2,077	3,132	3,858	0	60	(491)	8,636
General Property, Plant, and Equipment, Net	0	0	0	0	4,372	0	4,372
Total with the Public	2,077	3,132	3,858	0	4,432	(491)	13,008
Total Assets	$2,774,540	$ 101,822	$ 11,902	$ 110	$ 8,653	$ (3,710)	$ 2,893,317
Liabilities							
Intragovernmental:							
Accounts Payable	$ 6,173	$ 867	$ 1,423	$ 39	$ 31	$ (3,219)	$ 5,314
Advances from Others and Deferred Revenue	0	0	0	0	1	0	1
Other Liabilities	0	0	3,646	3	163	0	3,812
Total Intragovernmental	6,173	867	5,069	42	195	(3,219)	9,127
With the Public							
Accounts Payable	1	4	214	0	86	0	305
Federal Employee and Veteran Benefits	0	0	0	0	715	0	715
Benefits Due and Payable	87,397	20,472	3,472	0	0	(491)	110,850
Advances from Others and Deferred Revenue	0	0	201	0	2	0	203
Other Liabilities	0	0	36	1	289	0	326
Total with the Public	87,398	20,476	3,923	1	1,092	(491)	112,399
Total Liabilities	$ 93,571	$ 21,343	$ 8,992	$ 43	$ 1,287	$ (3,710)	$ 121,526
Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - Funds from other than Dedicated Collections	$ 0	$ 0	$ 4,818	$ 67	$ 4	$ 0	$ 4,889
Cumulative Results of Operations - Funds from Dedicated Collections	2,680,969	80,479	0	0	0	0	2,761,448
Cumulative Results of Operations - Funds from other than Dedicated Collections	0	0	(1,908)	0	7,362	0	5,454
Total Cumulative Results of Operations	2,680,969	80,479	(1,908)	0	7,362	0	2,766,902
Total Net Position	$2,680,969	$ 80,479	$ 2,910	$ 67	$ 7,366	$ 0	$ 2,771,791
Total Liabilities and Net Position	$2,774,540	$ 101,822	$ 11,902	$ 110	$ 8,653	$ (3,710)	$ 2,893,317

Other Information: Schedule of Net Cost for the Year Ended September 30, 2021

(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 986,398	$ 0	$ 986,398
Operating Expenses	540	3,418	3,958
Total Cost of OASI Program	986,938	3,418	990,356
Less: Exchange Revenues	(1)	(19)	(20)
Net Cost of OASI Program	986,937	3,399	990,336
DI Program			
Benefit Payment Expense	139,818	0	139,818
Operating Expenses	278	2,568	2,846
Total Cost of DI Program	140,096	2,568	142,664
Less: Exchange Revenues	(20)	(14)	(34)
Net Cost of DI Program	140,076	2,554	142,630
SSI Program			
Benefit Payment Expense	53,918	0	53,918
Operating Expenses	214	4,490	4,704
Total Cost of SSI Program	54,132	4,490	58,622
Less: Exchange Revenues	(218)	(25)	(243)
Net Cost of SSI Program	53,914	4,465	58,379
Other			
Benefit Payment Expense	1	0	1
Operating Expenses	0	2,841	2,841
Total Cost of Other	1	2,841	2,842
Less: Exchange Revenues	0	(15)	(15)
Net Cost of Other Program	1	2,826	2,827
Total Net Cost			
Benefit Payment Expense	1,180,135	0	1,180,135
Operating Expenses	1,032	13,317	14,349
Total Cost	1,181,167	13,317	1,194,484
Less: Exchange Revenues	(239)	(73)	(312)
Total Net Cost	$ 1,180,928	$ 13,244	$ 1,194,172

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2021
(Dollars in Millions)

	OASI	DI	SSI		Other	
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 4,976	$ 0	$ 68
Appropriations Received	0	0	0	60,059	34,801	56
Other Adjustments	0	0	0	0	0	(8)
Appropriations Used	0	0	0	(60,217)	(34,801)	(49)
Net Change in Unexpended Appropriations	0	0	0	(158)	0	(1)
Total Unexpended Appropriations - Ending	0	0	0	4,818	0	67
Cumulative Results of Operations:						
Beginning Balances	$ 2,741,021	$ 78,551	$ 0	$ (2,028)	$ 0	$ 0
Appropriations Used	0	0	0	60,217	34,801	49
Non-Exchange Revenue						
Tax Revenues	831,124	141,195	0	0	0	0
Interest Revenues	68,971	2,679	0	0	0	0
Total Non-Exchange Revenue	900,095	143,874	0	0	0	0
Transfers In/Out - Without Reimbursement	26,783	(1,870)	(126)	(6,549)	(34,801)	2,188
Imputed Financing Sources	0	0	0	17	0	0
Other	7	0	0	475	0	(2,236)
Net Cost of Operations	986,937	140,076	(126)	54,040	0	1
Net Change	(60,052)	1,928	0	120	0	0
Cumulative Results of Operations - Ending	$ 2,680,969	$ 80,479	$ 0	$ (1,908)	$ 0	$ 0
Net Position	$ 2,680,969	$ 80,479	$ 0	$ 2,910	$ 0	$ 67

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2021 (Continued)

(Dollars in Millions)

	LAE	Consolidated		Consolidated
	Funds from other than Dedicated Collections	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Total
Unexpended Appropriations:				
Beginning Balances	$ 4	$ 0	$ 5,048	$ 5,048
Appropriations Received	30	34,801	60,145	94,946
Other Adjustments	0	0	(8)	(8)
Appropriations Used	(30)	(34,801)	(60,296)	(95,097)
Net Change in Unexpended Appropriations	0	0	(159)	(159)
Total Unexpended Appropriations - Ending	4	0	4,889	4,889
Cumulative Results of Operations:				
Beginning Balances	$ 6,981	$ 2,819,572	$ 4,953	$ 2,824,525
Appropriations Used	30	34,801	60,296	95,097
Non-Exchange Revenue				
Tax Revenues	0	972,319	0	972,319
Interest Revenues	0	71,650	0	71,650
Total Non-Exchange Revenue	0	1,043,969	0	1,043,969
Transfers In/Out Without Reimbursement	13,017	(10,014)	8,656	(1,358)
Imputed Financing Sources	578	0	595	595
Other	0	7	(1,761)	(1,754)
Net Cost of Operations	13,244	1,126,887	67,285	1,194,172
Net Change	381	(58,124)	501	(57,623)
Cumulative Results of Operations - Ending	$ 7,362	$ 2,761,448	$ 5,454	$ 2,766,902
Net Position	$ 7,366	$ 2,761,448	$ 10,343	$ 2,771,791

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2021
(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources (Note 15)						
Unobligated Balance From Prior Year Budget Authority, Net	$ 88	$ 18	$ 5,054	$ 60	$ 1,336	$ 6,556
Appropriations (Discretionary and Mandatory)	994,888	142,434	60,185	34,857	30	1,232,394
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	0	0	2,430	0	13,106	15,536
Total Budgetary Resources	$ 994,976	$ 142,452	$ 67,669	$ 34,917	$ 14,472	$ 1,254,486
Status of Budgetary Resources						
New obligations and upward adjustments						
Direct	$ 994,976	$ 142,452	$ 60,372	$ 34,851	$ 13,473	$ 1,246,124
Reimbursable	0	0	2,441	0	88	2,529
New obligations and upward adjustments (total)	994,976	142,452	62,813	34,851	13,561	1,248,653
Unobligated Balance , End of Year						
Apportioned, unexpired accounts	0	0	4,839	36	493	5,368
Unapportioned, unexpired accounts	0	0	11	0	16	27
Unexpired unobligated balance, end of year	0	0	4,850	36	509	5,395
Expired unobligated balance, end of year	0	0	6	30	402	438
Unobligated balance, end of year (total)	0	0	4,856	66	911	5,833
Total Budgetary Resources	$ 994,976	$ 142,452	$ 67,669	$ 34,917	$ 14,472	$ 1,254,486
Outlays, Net						
Outlays, Net (Discretionary and Mandatory)	$ 991,291	$ 143,396	$ 60,280	$ 34,869	$ (91)	$ 1,229,745
Distributed Offsetting Receipts	(34,338)	(501)	(218)	(2,236)	0	(37,293)
Agency Outlays, Net (Discretionary and Mandatory)	$ 956,953	$ 142,895	$ 60,062	$ 32,633	$ (91)	$ 1,192,452

Required Supplementary Information: Social Insurance

Program Description

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as "Social Security," provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 2020, the Social Security Administration paid OASDI benefits to about 65 million beneficiaries. The laws applicable for the period determine eligibility and benefit amounts. Current law provides that monthly benefit payments for workers and their eligible dependents or survivors are based on workers' lifetime earnings histories.

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

Program Finances and Sustainability

As discussed in Note 9 to the Consolidated Financial Statements, "Benefits Due and Payable" on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date includes a liability of approximately $107 billion as of September 30, 2021 ($105 billion as of September 30, 2020). We paid virtually all of this amount in October 2021. Also, the "investments in Treasury securities" recognizes an asset of $2,854 billion as of September 30, 2021 ($2,908 billion as of September 30, 2020). These investments are the combined OASI and DI Trust Fund asset reserves, and represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal Government (see Investments and Interest Receivable, Note 5).

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2021 because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid or are due to be paid because benefit payments are nonexchange transactions and are not considered deferred compensation as would be employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes as a liability retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker's expected retirement benefits has been recognized by the time the worker retires.

Required Supplementary Information - While there is no liability on the balance sheet for future obligations beyond those due at the reporting date, we present actuarial estimates of the long-range financial status of the OASDI program. Throughout this section, the following terms will generally be used as indicated:

- **Income**: payroll taxes from employers, employees, and self-employed persons; revenue from Federal income tax on scheduled OASDI benefits; interest income from Treasury securities held as reserves of the OASI and DI Trust Funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **Income excluding interest (Noninterest Income)**: income, as defined above, excluding the interest income from Treasury securities held as reserves of the OASI and DI Trust Funds;
- **Cost**: scheduled benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **Cash flow**: depending on the context, either income, noninterest income, or cost;

- **Net cash flow**: either income less cost or noninterest income less cost; however, net cash flow in this section refers to noninterest income less cost; and
- **Present value**: the equivalent value, as of a specified point in time and adjusted using a specified interest rate, of a future stream of payments (either income or cost). The present value of a future stream of payments may be thought of as the lump-sum amount that, if invested at the specified interest rate as of the specified point in time, together with interest earnings would be just enough to meet each of the obligations as they fall due.

All estimates in this section are based on the 75-year projections under the intermediate assumptions in *The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (2021 Trustees Report) (see Note 17 to the Statements of Social Insurance). The Statements of Social Insurance, the Statements of Changes in Social Insurance Amounts, and the required supplementary information below are derived from estimates of future income and cost based on these assumptions and on the current *Social Security Act*, including future changes previously enacted. The information provided in this section includes:

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

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

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

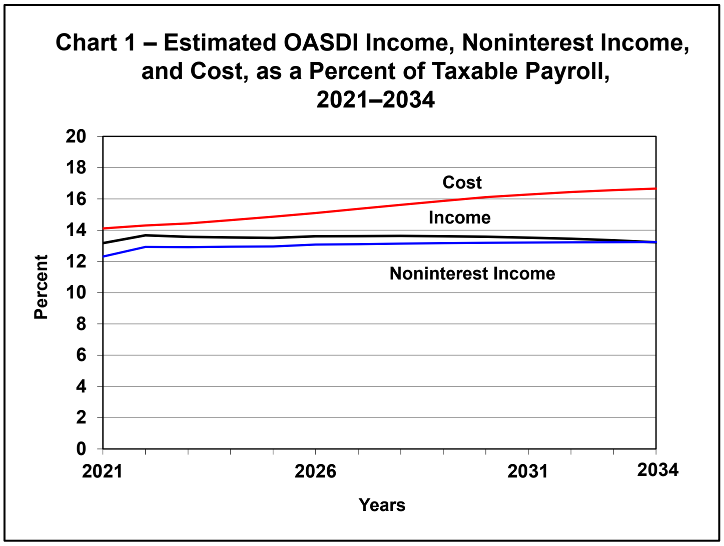
(4) An analysis of the sensitivity of the projections to changes in selected assumptions.

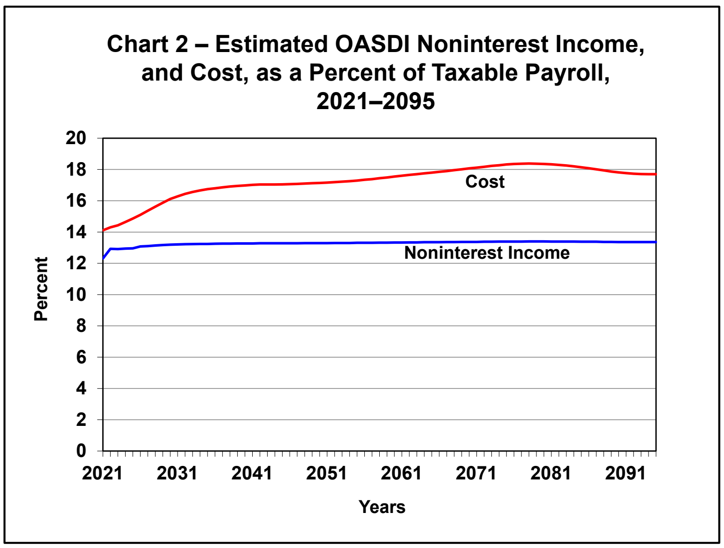
Sustainable Solvency - Based on the estimates of income and cost presented in the Statements of Social Insurance, the OASDI program does not meet the criteria for sustainable solvency. In order to meet the criteria for sustainable solvency, the program must be able to pay all scheduled benefits in full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

Cash Flow Projections - OASDI noninterest income and cost are estimated for each year from 2021 through 2095. Charts 1 through 4 show annual cash flow projections for the OASDI program. However, income including interest is only estimated through 2034, the year that the reserves in the combined OASI and DI Trust Funds are projected to deplete. After the point of such depletion, no interest earnings would be available. Moreover, because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available tax income (noninterest income). Therefore, displaying annual income levels beyond the point of combined OASI and DI Trust Fund depletion would be inappropriate unless the cost of scheduled benefits was replaced by the amount of benefits that would be payable.

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

Amounts as a Percentage of Taxable Payroll - Chart 1 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of taxable payroll. Chart 2 is an extension of Chart 1, showing estimated annual noninterest income and cost through 2095 expressed as percentages of taxable payroll.





As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent) and the 12.4 percent that is paid on taxable self-employment income. Prior to 2021, income including interest exceeded cost in every year since 1983. As Chart 1 shows, estimated cost starts to exceed income including interest in 2021. As Chart 2 shows, estimated cost, expressed as a percentage of taxable payroll, increases through 2078 and then slightly declines through the end of the 75-year period. The estimated income at the end of the 75-year period is sufficient to cover 74 percent of the estimated cost.

The increase in estimated cost through 2078 occurs because of a variety of factors, including the retirement of the baby boom generation, the relatively small number of people born during the subsequent period of lower birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. The decrease in estimated cost after 2078 occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

Estimated annual cost is projected to exceed noninterest income in all years of the projection period. In any year, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption differs from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund of the Treasury. The Government could finance this redemption by increasing its borrowing from the public, raising taxes (other than OASDI payroll taxes), and/or reducing expenditures (other than OASDI cost). Alternatively, the Government could make this redemption unnecessary by changing the law to increase OASDI taxes and/or reduce OASDI scheduled benefits as needed.

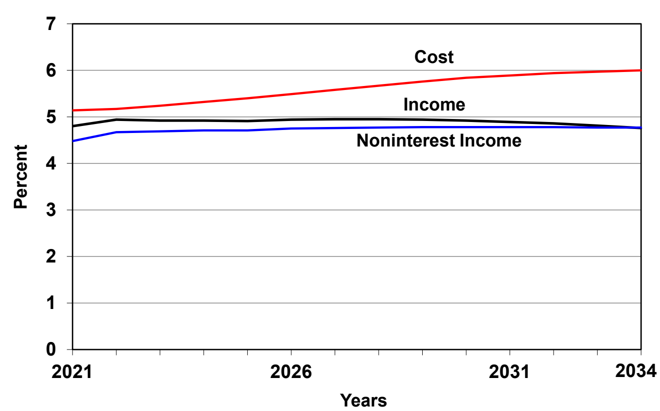
Actuarial Balance - The Statements of Social Insurance show that the present value of the excess of income (excluding interest) over cost for the 75-year period is -$22,742 billion. If augmented by the combined OASI and DI Trust Fund reserves at the start of the period (January 1, 2021), it is -$19,833 billion. This excess does not equate to the actuarial balance in the 2021 Trustees Report of -3.54 percent of taxable payroll because the actuarial balance includes the cost of attaining a target combined OASI and DI Trust Fund level at the end of the period equal to total projected cost for the 76th year of the period.

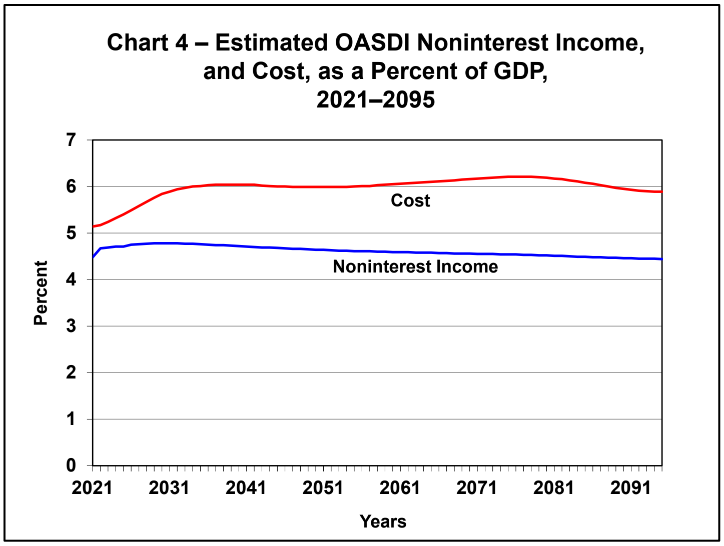
For the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period, revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax increase of 3.36 percentage points (from its current level of 12.40 percent to 15.76 percent). One interpretation of the actuarial balance is that its magnitude, 3.54 percent, should equal the necessary increase. However, the increase is different primarily because the necessary tax rate is the rate required to maintain solvency throughout the period that results in no reserves in the OASI and DI Trust Funds at the end of the period, whereas the actuarial balance incorporates an ending reserve in the OASI and DI Trust Funds equal to one year's cost. While such an increase in the payroll tax rate would cause some behavioral changes in earnings and ensuing changes in benefit levels, such changes are not included in this calculation because they are assumed to have roughly offsetting effects on OASDI actuarial status over the 75-year long-range period as a whole.

Alternatively, solvency could be achieved by reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of about 21 percent applied to all current and future beneficiaries, or about 25 percent if the reductions were applied only to newly entitled beneficiaries. Finally, some combination of both tax increases and benefit reductions could be adopted.

Amounts as a Percentage of Gross Domestic Product - Chart 3 shows estimated annual income, noninterest income, and cost through 2034 expressed as percentages of GDP. Chart 4 is an extension of Chart 3, showing estimated annual noninterest income and cost through 2095 expressed as percentages of GDP. Analyzing these cash flows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the United States, provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

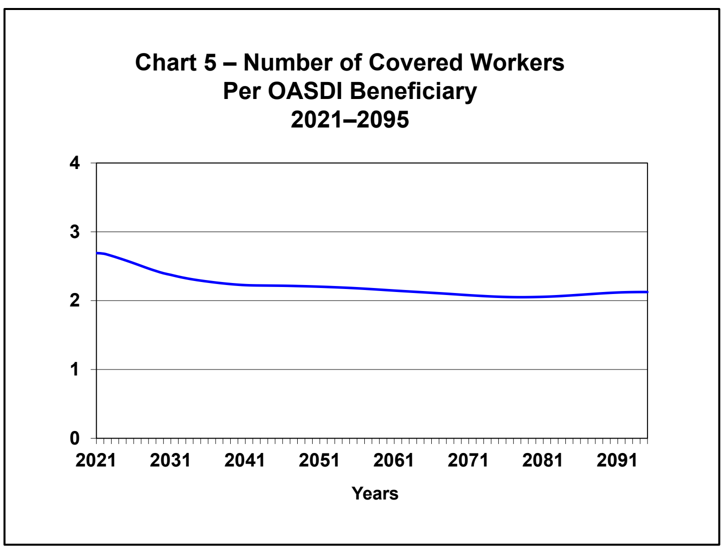
Chart 3 – Estimated OASDI Income, Noninterest Income, and Cost, as a Percent of GDP, 2021–2034





In calendar year 2020, OASDI cost was about $1,107 billion, which was about 5.3 percent of GDP. The cost of the program (based on current law) rises to a peak of 6.2 percent of GDP in 2077, then declines to 5.9 percent by 2095. The increase from 2021 to 2039 will occur as baby boomers continue to become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer. The decrease near the end of the 75-year projection period occurs as the relatively smaller generations born during the period of reduced birth rates following the recession of 2007–2009 increasingly begin to retire.

Ratio of Workers to Beneficiaries - Chart 5 shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes based on services for wages in covered employment and/or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.7 in 2020 to 2.1 in 2095.



SENSITIVITY ANALYSIS

Projections of the future financial status of the OASDI program depend on many demographic and economic assumptions, including fertility, mortality, net immigration, average wages, inflation, and interest rates on Treasury securities. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because actual experience is likely to differ from the estimated or assumed values of these factors, we include this section to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, mortality, net immigration, real wage differential, Consumer Price Index (CPI), and real interest rate. The range of values chosen for the sensitivity analysis presents a reasonable range within which we expect future experience to fall, on average, over long time periods. We do not intend the range of values to represent any particular probability interval around the intermediate assumptions, nor are the endpoints of the range intended to represent the absolute best or worst scenario.

For this analysis, we use the intermediate assumptions in the 2021 Trustees Report as the reference point. Each selected assumption is varied individually. We note that due to the interactions between assumptions, changes in any single assumption may have additional effects on other assumptions. We calculate all present values as of January 1, 2021 and base them on estimates of income and cost during the 75-year projection period 2021–2095. In this section, for brevity, “income” means “noninterest income.”

We present one table and one chart for each assumption analyzed. The table shows the present value of the estimated excess of OASDI income over cost based on each of three selected values of the assumption being analyzed. If the excess is negative, we refer to it as a shortfall. The middle values provided correspond to the intermediate assumption of the Trustees. The chart shows the present value of each annual net cash flow.

Sensitivity of program cost to changes in multiple assumptions is also useful. The 2021 Trustees Report presents high-cost and low-cost alternative assumption sets, which combine the variations shown individually in this report. It should be noted that due to interactions, the combined effect of two or more assumption changes may not be equal to the sum of the effects shown separately. The Trustees, in their annual report, also include estimates using a stochastic model developed by the Office of the Chief Actuary. These estimates provide an additional way of analyzing the uncertainty and variability in assumptions, income, and cost.

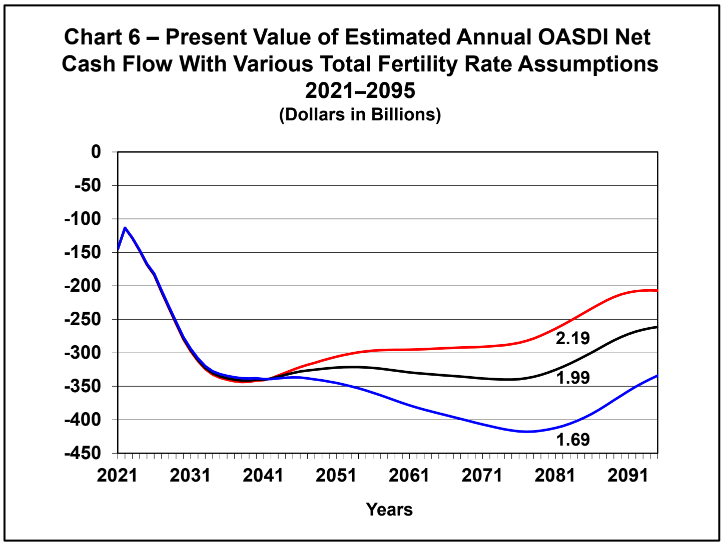
Total Fertility Rate - Table 1 shows the present value of the estimated excess of OASDI income over cost for the 75-year period, for each of the three sets of assumptions about the total fertility rate. The average annual total fertility rates for the period 2031 through 2095 are 1.69, 1.99, and 2.19 children per woman, where 1.99 is the intermediate summary value for the 2021 Trustees Report. The total fertility rate under all three sets of total fertility rate assumptions changes gradually from its current low level and will reach the ultimate value of 1.70, 2.00, and 2.20, respectively in 2056.

Table 1 demonstrates that if the average annual total fertility rate were changed from 1.99 children per woman, consistent with the Trustees’ intermediate assumption, to 1.69, the shortfall for the period of estimated OASDI income relative to cost would increase to $25,789 billion from $22,742 billion; if the average annual total fertility rate changed to 2.19, the shortfall would decrease to $20,589 billion.

Table 1: Present Value of Estimated Excess of OASDI Income over Cost With Various Total Fertility Rate Assumptions Valuation Period: 2021–2095

Average Total Fertility Rate (from 2031 through 2095)	1.69	1.99	2.19
Present Value of Estimated Excess (Dollars in Billions)	$(25,789)	$(22,742)	$(20,589)

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



The three patterns of the present values shown in Chart 6 are similar. Under all three sets of assumptions, the present values are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of fertility rate assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then again begin to increase around 2040. The net cash flow estimates corresponding to the average total fertility rate of 1.69 are mostly stable in years 2040–2045, decrease in years 2046–2077, and then increase through 2095. The net cash flow estimates corresponding to the average total fertility rate of 1.99 mostly increase in years 2039–2054, decrease in years 2055–2074, and then increase through 2095. The net cash flow estimates corresponding to the average total fertility rate of 2.19 increase in years 2039–2094 before a slight decrease in 2095.

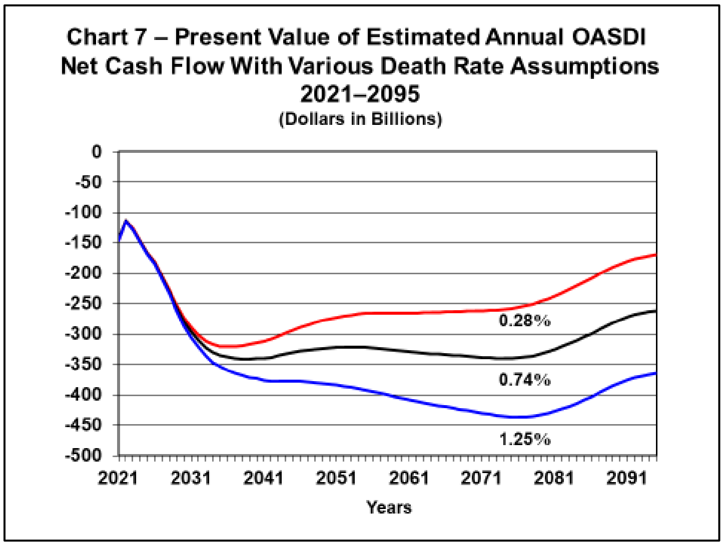
Mortality - Table 2 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about future reductions in death rates. We developed the analysis by varying the reduction assumed to occur in future death rates by age, sex, and cause of death. The reductions assumed for this period, summarized as average annual reductions in the age-sex-adjusted death rate for the period 2030 to 2095, are 0.28, 0.74, and 1.25 percent per year. The intermediate assumption in the 2021 Trustees Report is 0.74 percent. (The resulting cumulative decreases in the age-sex-adjusted death rate during the same period are 16, 38, and 56 percent, respectively.) The life expectancy at birth, on a unisex period life table basis, is projected to rise from 77.0 in 2020 to 80.9, 85.1, and 89.4 in 2095 for average annual reductions in the age-sex-adjusted death rate of 0.28, 0.74, and 1.25 percent, respectively.

Table 2 demonstrates that if the annual reduction in death rates were changed from 0.74 percent, the Trustees' intermediate assumption, to 0.28 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to cost would decrease to $18,723 billion from $22,742 billion; if the annual reduction were changed to 1.25 percent, meaning that people live longer, the shortfall would increase to $27,530 billion.

Table 2: Present Value of Estimated Excess of OASDI Income over Cost With Various Death Rate Assumptions Valuation Period: 2021–2095

Average Annual Reduction in Death Rates (from 2030 through 2095)	0.28 Percent	0.74 Percent	1.25 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(18,723)	$(22,742)	$(27,530)

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



The three patterns of the present values shown in Chart 7 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then begin at least a small increase by 2043. The net cash flow estimates corresponding to a 1.25 percent average annual reduction in the age-sex-adjusted death rate briefly increase in years 2043–2044, decrease in years 2045–2076, and then increase through 2095. The net cash flow estimates corresponding to a 0.74 percent average annual reduction mostly increase in years 2039–2054, decrease in years 2055–2074, and then increase through 2095. The net cash flow estimates corresponding to a 0.28 percent average annual reduction increase in years 2037–2058, briefly decrease in years 2059–2061, and then increase through 2095.

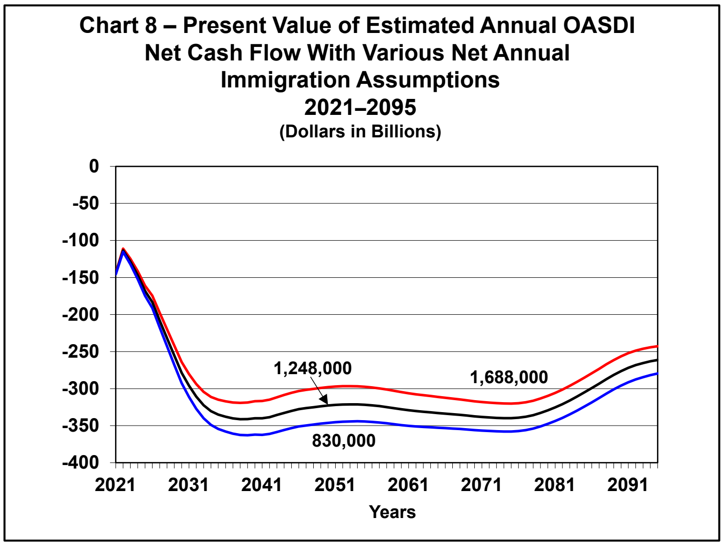
Net Annual Immigration - Table 3 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the magnitude of annual immigration. The immigration assumptions include the levels of lawful permanent resident (LPR) immigration, legal emigration, other-than-LPR immigration, and other-than-LPR emigration. Based on these levels, projected net annual immigration (LPR and other-than-LPR) will average 830,000 persons, 1,248,000 persons, and 1,688,000 persons over the period 2031 through 2095, where 1,248,000 persons is the average value based on the intermediate assumptions in the 2021 Trustees Report.

Table 3 demonstrates that if the Trustees' intermediate immigration assumptions were changed so that the average level for the period 2031 through 2095 decreased from 1,248,000 persons to 830,000 persons, the present value of the shortfall for the period of estimated OASDI income relative to cost would increase to $24,128 billion from $22,742 billion. If, instead, the immigration assumptions were changed so that net annual immigration would be expected to average 1,688,000 persons, the present value of the shortfall would decrease to $21,271 billion.

Table 3: Present Value of Estimated Excess of OASDI Income over Cost With Various 75-Year Average Net Annual Immigration Assumptions Valuation Period: 2021–2095

Average Net Annual Immigration (from 2031 through 2095)	830,000 Persons	1,248,000 Persons	1,688,000 Persons
Present Value of Estimated Excess (Dollars in Billions)	$(24,128)	$(22,742)	$(21,271)

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



The three patterns of the present values shown in Chart 8 are similar. Under all three sets of assumptions, the net cash flow estimates are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then again begin to increase around 2040. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. Under all three sets of assumptions, net cash flows have another period of decreasing present values around years 2055–2075 before again increasing through 2095.

Immigration generally occurs at relatively young adult ages, so there is no significant effect on beneficiaries (and, therefore, on benefits) in the early years of the projection period, but the effect on the numbers of workers (and, therefore, on payroll tax income) is immediate. Therefore, even in the early years of the projection period, the present values, year by year, are generally higher (i.e., less negative in later years) for higher net annual immigration. However, benefits paid in a given year to earlier immigrant cohorts of the projection period eventually offset the increased payroll taxes for that year. Therefore, the present values based on the three assumptions about net annual immigration become more similar at the end of the projection period.

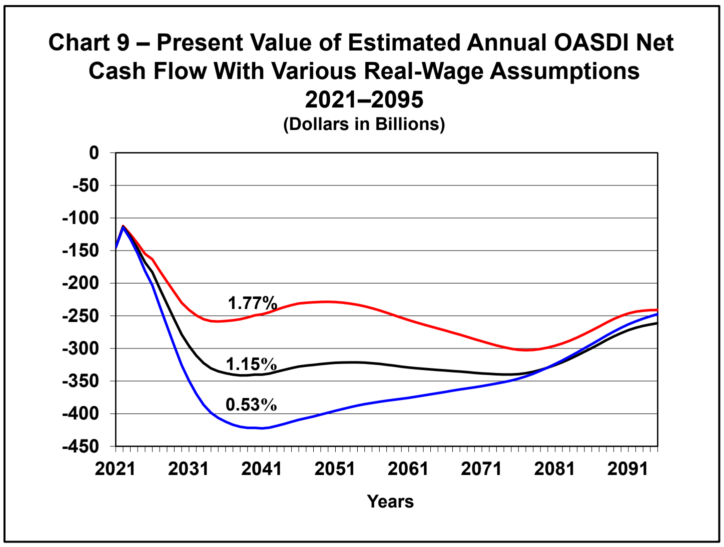
Real Wage Differential - The annual real wage differential is the difference between the percentage increases in: (1) the average annual wage in OASDI covered employment; and (2) the average annual CPI. The real wage differential assumption is expressed as the average of the annual real wage differential for the last 65 years of the 75-year projection period (from 2031 through 2095). Table 4 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the real wage differential. These assumptions are that the average real wage differential will be 0.53, 1.15, and 1.77 percentage points. The intermediate assumption in the 2021 Trustees Report is 1.15 percentage points. In each case, the ultimate annual increase in the CPI is assumed to be 2.40 percent (as used in the intermediate assumptions), yielding average percentage increases in the average annual wage in covered employment of 2.93, 3.55, and 4.17 percent, respectively, in the last 65 years of the 75-year projection period.

Table 4 demonstrates that if the average real wage differential were changed from 1.15 percentage points, the Trustees' intermediate assumption, to 0.53 percentage point, the shortfall for the period of estimated OASDI income relative to cost would increase to $25,390 billion from $22,742 billion; if the average real wage differential were changed from 1.15 to 1.77 percentage points, the shortfall would decrease to $18,579 billion.

Table 4: Present Value of Estimated Excess of OASDI Income over Cost With Various Real Wage Assumptions Valuation Period: 2021–2095

Average Annual Increase in Wages, CPI; **Real Wage Differential** (from 2031 through 2095)	2.93%, 2.40%; **0.53%**	3.55%, 2.40%; **1.15%**	4.17%, 2.40%; **1.77%**
Present Value of Estimated Excess (Dollars in Billions)	$(25,390)	$(22,742)	$(18,579)

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



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three sets of assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then begin to increase (i.e., become less negative) by 2042. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase at that time. For the assumed real wage differential of 0.53 percentage point, the present values increase from 2042 through the remainder of the projection period. The net cash flow estimates corresponding to an assumed real wage differential of 1.15 percentage points mostly increase in years 2039–2054, decrease in years 2055–2074, and then increase through 2095. The net cash flow estimates corresponding to an assumed real wage differential of 1.77 percentage points increase in years 2036–2050, decrease in years 2051–2077, and then increase through 2095.

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

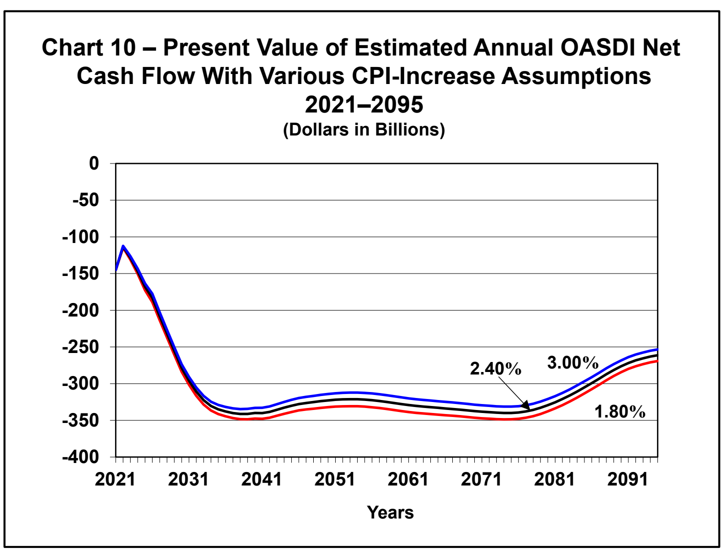
Consumer Price Index - Table 5 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 1.80, 2.40, and 3.00 percent. All three ultimate assumptions are reached by year 2024. The intermediate assumption in the 2021 Trustees Report is 2.40 percent. In each case, the average real wage differential is assumed to be 1.15 percentage points (as used in the intermediate assumptions), yielding average percentage increases in average annual wages in covered employment of 2.95, 3.55, and 4.15 percent, respectively.

Table 5 demonstrates that if the ultimate annual increase in the CPI were changed from 2.40 percent, the Trustees' intermediate assumption, to 1.80 percent, the shortfall for the period of estimated OASDI income relative to cost would increase to $23,327 billion from $22,742 billion; if the ultimate annual increase in the CPI were changed to 3.00 percent, the shortfall would decrease to $22,174 billion. The seemingly counterintuitive result that higher CPI increases result in decreased shortfalls (and vice versa) is explained by the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. The effect on taxable payroll due to a greater increase in average wages is experienced immediately, while the effect on benefits is experienced with a lag of about one year. For this reason, larger increases in the CPI cause earnings and income to increase sooner and, therefore, by more each year, than benefits and cost.

Table 5: Present Value of Estimated Excess of OASDI Income over Cost With Various CPI-Increase Assumptions Valuation Period: 2021–2095

Average Annual Increase in Wages, **CPI**; Real Wage Differential (from 2031 through 2095)	2.95%, **1.80%**; 1.15%	3.55%, **2.40%**; 1.15%	4.15%, **3.00%**; 1.15%
Present Value of Estimated Excess (Dollars in Billions)	$(23,327)	$(22,742)	$(22,174)

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



The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three CPI-increase assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then again begin to increase by 2040. The net cash flow estimates corresponding to an ultimate 1.8 percent CPI mostly increase in years 2040–2053, decrease in years 2054–2074, and then increase through 2095. The net cash flow estimates corresponding to an ultimate 2.4 percent CPI mostly increase in years 2039–2054, decrease in years 2055–2074, and then increase through 2095. The net cash flow estimates corresponding to an ultimate 3.0 percent CPI increase in years 2039–2054, decrease in years 2055–2075, and then increase through 2095.

Real Interest Rate - Table 6 shows the present values of the estimated excess of OASDI income over cost for the 75-year period, using various assumptions about the annual real interest rate for special-issue Treasury obligations sold to the OASI and DI Trust Funds. These assumptions are that the ultimate annual real interest rate will be 1.8, 2.3, and 2.8 percent. All three ultimate rates are reached by 2031. The intermediate assumption in the 2021 Trustees Report is 2.3 percent. Changes in real interest rates change the present value of cash flows, even though the cash flows do not change.

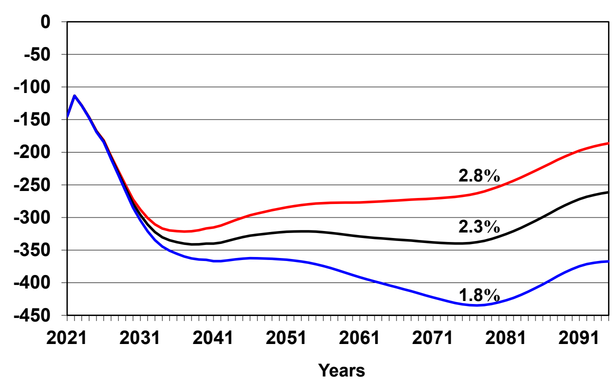
Table 6 demonstrates that if the ultimate real interest rate were changed from 2.3 percent, the Trustees' intermediate assumption, to 1.8 percent, the shortfall for the period of estimated OASDI income relative to cost, when measured in present-value terms would increase to $26,986 billion from $22,742 billion; if the ultimate annual real interest rate were changed to 2.8 percent, the present-value shortfall would decrease to $19,364 billion.

Table 6: Present Value of Estimated Excess of OASDI Income over Cost With Various Real Interest Assumptions Valuation Period: 2021–2095

Ultimate Annual Real Interest Rate	1.8 Percent	2.3 Percent	2.8 Percent
Present Value of Estimated Excess (Dollars in Billions)	$(26,986)	$(22,742)	$(19,364)

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

Chart 11 – Present Value of Estimated Annual OASDI Net Cash Flow With Various Real Interest Rate Assumptions 2021–2095
(Dollars in Billions)



The three patterns of the present values shown in Chart 11 are similar. The net cash flow estimates corresponding to all three sets of assumptions are negative in all years of the 75-year projection period. The net cash flow estimates corresponding to all three real interest rate assumptions increase (become less negative) in 2022, before decreasing rapidly into the 2030s and then begin to increase by 2043. Therefore, in terms of today's investment dollar, annual OASDI net cash flow, although still negative, begins to increase (i.e., become less negative) at that time. The net cash flow estimates corresponding to an ultimate real interest rate of 1.8 increase in years 2043–2046, decrease in years 2047–2077, and increase through 2095. The net cash flow estimates corresponding to an ultimate real interest rate of 2.3 mostly increase in years 2039–2054, decrease in years 2055–2074, and then increase through 2095. The net cash flow estimates corresponding to an ultimate real interest rate of 2.8 increase in years 2038–2095.

This page was intentionally left blank.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 10, 2021

The Honorable Kilolo Kijakazi
Acting Commissioner of Social Security

The Office of the Inspector General (OIG) contracted with the independent certified public accounting firm Grant Thornton LLP (Grant Thornton) to audit (1) the Social Security Administration's (SSA) consolidated financial statements as of September 30, 2021 and 2020, and the related notes to the consolidated financial statements; (2) the sustainability financial statements, including the statements of social insurance as of January 1, 2021, 2020, 2019 and 2018, and the related notes to the sustainability financial statements; and (3) the statements of changes in social insurance amounts for the periods January 1, 2020 to January 1, 2021 and January 1, 2019 to January 1, 2020. The OIG also contracted with Grant Thornton to provide an opinion on internal control over financial reporting and report on compliance with laws, regulations, contracts, grant agreements, and other matters, including the requirements of the *Federal Financial Management Improvement Act of 1996*. The contract requires that the audit be performed in accordance with auditing standards generally accepted in the United States; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those Standards and Bulletin require that Grant Thornton plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

This letter transmits Grant Thornton's *Report of Independent Certified Public Accountants*. Grant Thornton found the following.

- The consolidated and sustainability financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.
- SSA management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021. However, Grant Thornton identified three significant deficiencies in internal control: (1) Certain Financial Information Systems Controls, (2) Information Systems Risk Management, and (3) Accounts Receivable with the Public (Benefit Overpayments).
- No reportable instances of noncompliance with laws, regulations, contracts, grant agreements and other matters.

Office of The Inspector General Evaluation of Grant Thornton Audit Performance

To fulfill our responsibilities under the *Chief Financial Officers Act of 1990* and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of SSA's consolidated and sustainability financial statements by:

- evaluating the independence, objectivity, and qualifications of the auditors and specialists;
- reviewing Grant Thornton's audit approach and planning;
- monitoring the audit's progress at key points;
- examining Grant Thornton's documentation related to planning the audit, assessing SSA's internal control, and substantive testing;
- reviewing Grant Thornton's audit report to ensure compliance with Government Auditing Standards and Office of Management and Budget Bulletin No. 21-04;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Grant Thornton is responsible for the attached auditors' report, dated November 10, 2021, and the opinions and conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding Grant Thornton's performance under the contract terms. Our review, as differentiated from an audit in accordance with applicable auditing standards, was not intended to enable us to express, and, accordingly, we do not express, an opinion on SSA's consolidated financial statements; sustainability financial statements; internal control over financial reporting; or compliance with certain laws, regulations, contracts and grant agreements. However, our monitoring review, as qualified above, disclosed no instances where Grant Thornton did not comply, in all material respects, with applicable auditing standards.

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

Gail S. Ennis

Gail S. Ennis
Inspector General

GRANT THORNTON LLP
111 South Calvert Street, Suite 2320
Baltimore, MD 21202

D 410 685 4000
F 410 837 0587

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Kilolo Kijakazi, Acting Commissioner
Social Security Administration

Gail S. Ennis, Inspector General
Social Security Administration

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

- The consolidated balance sheets of SSA as of September 30, 2021 and 2020, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- The sustainability financial statements which comprise the statements of social insurance as of January 1, 2021, 2020, 2019 and 2018 and the statements of changes in social insurance amounts for the period January 1, 2020 to January 1, 2021 and January 1, 2019 to January 1, 2020 are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- Although internal controls could be improved, SSA management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021; and
- No reportable instances of noncompliance for fiscal year 2021, with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and internal control over financial reporting, which includes an emphasis of matter paragraph related to the sustainability financial statements, and required supplementary information (RSI) and other information included with the financial statements, (2) our report on compliance with laws, regulations, contracts, and grant agreements, and (3) the Agency's response to findings.

GrantThornton

Report on the financial statements and internal control over financial reporting

We have audited the accompanying financial statements of the Social Security Administration (the "Agency"), which comprise the consolidated financial statements and the sustainability financial statements. The consolidated financial statements comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

The sustainability financial statements comprise the statements of social insurance as of January 1, 2021, 2020, 2019, and 2018, the statements of changes in social insurance amounts for the periods January 1, 2020 to January 1, 2021 and January 1, 2019 to January 1, 2020, and the related notes to the sustainability financial statements.

We also have audited the internal control over financial reporting of the Social Security Administration as of September 30, 2021, based on criteria established under 31 U.S.C. § 3512 (c),(d) (commonly known as the Federal Managers' Financial Integrity Act or "FMFIA") and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

Management's responsibility for the financial statements and internal control over financial reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and its assessment about the effectiveness of internal control over financial reporting as of September 30, 2021, included in the accompanying Acting Commissioner's Assurance Statement.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

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

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the Agency's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

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

Definition and inherent limitations of internal control over financial reporting

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting provides reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Opinions on the financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Social Security Administration as of September 30, 2021 and 2020, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Also, in our opinion, the sustainability financial statements referred to above present fairly, in all material respects the Social Security Administration's social insurance information as of January 1, 2021, 2020, 2019, and 2018 and its changes in social insurance amounts for the periods January 1, 2020 to January 1, 2021 and January 1, 2019 to January 1, 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 17 to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of the Agency's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinion is not modified with respect to this matter.

Opinion on internal control over financial reporting

In our opinion, although certain internal controls could be improved, the Social Security Administration maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established under 31 U.S.C § 3512 (c),(d) (commonly known as FMFIA) and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

As discussed in more detail, our fiscal year 2021 audit identified deficiencies in the Agency's controls over Certain Financial Information Systems Controls, Information Systems Risk Management and Accounts Receivable with the Public (Benefit Overpayments) described in the accompanying Appendix *Significant Deficiencies in Internal Control Over Financial Reporting*, that collectively represent significant deficiencies in the Agency's internal control over financial reporting. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Agency's fiscal year 2021 financial statements. Although the significant deficiencies in internal control did not affect our opinion on the Agency's fiscal year 2021 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Agency because of these significant deficiencies.

In addition to the significant deficiencies in internal control over Certain Financial Information Systems Controls, Information Systems Risk Management and Accounts Receivable with the Public (Benefit Overpayments), we also identified deficiencies in the Agency's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant management's attention. We have communicated these matters to management and, where appropriate, will report on them separately.

Other matters

The sustainability financial statements of the Agency as of and for the year ended January 1, 2017 were audited by other auditors. That auditors' report, dated November 9, 2017, expressed an unmodified opinion on those 2017 financial statements and included an emphasis of matter paragraph that described the assumptions upon which the sustainability financial statements are based discussed in Note 17 to the financial statements.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis from pages 5 through 36, the combining schedule of budgetary resources, and the required supplementary social insurance information from pages 92 through 106 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management is responsible for preparing, measuring, and presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Acting Commissioner's Message on page 1 and the other information on pages 2 through 4, 37 through 42, 88 through 91, and 125 through 166 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Management is responsible for preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the basic financial statements and the required supplementary information. We read the other information in order to identify material inconsistencies, if any, with the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GrantThornton

Report on compliance with laws, regulations, contracts, grant agreements and other matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*. Noncompliance may occur that is not detected by these tests.

Management's responsibility

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, and perform certain other limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements.

Results of our tests of compliance with laws, regulations, contracts, and grant agreements

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Agency. Accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act ("FFMIA"), we are required to report whether the Agency's financial management systems substantially comply with FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the federal financial management systems requirements, applicable federal accounting standards, and the *United States Standard General Ledger* ("USSGL") at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance that are required to be reported under FFMIA.

Agency's response to findings

The Agency's response to our findings, which is included on page 124 of this Agency Financial Report, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency's response.

Grant Thornton

Intended purpose of report on compliance with laws, regulations, contracts, and grant agreements

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Baltimore, Maryland
November 10, 2021

APPENDIX – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Significant Deficiency in Internal Control over Certain Financial Information Systems Controls

Overview

Social Security Administration (SSA) management relies on information systems and technology (IT) to administer the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) (collectively known as OASDI) and Supplemental Security Income (SSI) programs; to process and account for their expenditures; and for financial reporting.

Our internal control testing included IT general and application controls. Testing IT general controls encompassed the security management program, access controls (physical and logical), configuration and change management, segregation of duties, and service continuity/contingency planning. IT general controls provide the foundation for the integrity of systems including applications and the system software that comprise the general support systems for the major applications. General and application-level controls are critical to ensuring the accurate and complete processing of transactions and integrity of stored data. Application controls include application-specific general controls, input, processing of data, and output of data as well as interface, master file, and other user controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of the Agency's mainframe, networks, databases, applications, and other supporting systems. Our audit was conducted for Headquarters as well as off-site locations.

The Federal Information Processing Standards 199, *Standards for Security Categorization of Federal Information and Information Systems*, and 200, *Minimum Security Requirements for Federal Information and Information Systems*, are mandatory security standards in the *Federal Information Security Modernization Act of 2014*. These standards, combined with National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, define a framework for Federal agencies to develop, document, and implement an Agency-wide information security program. The information security program is required to provide security protections commensurate with the risk and magnitude of the harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of Agency information and information systems.

Deficiencies in Control Design and/or Operational Effectiveness

We noted deficiencies in access controls, network security controls, and configuration management that contribute to an aggregated significant deficiency in information system controls. While SSA continued strengthening controls over its information systems and IT, many of the control deficiencies from past audits persisted. SSA has developed several plans, strategies, and initiatives to address control deficiencies; however, these deficiencies continued to exist because of one, or a combination, of the following:

- SSA was in the process, but had not fully implemented, automated mechanisms for monitoring compliance with key control activities as well as within their security assessment and authorization processes;
- SSA had not remediated control deficiencies noted in prior audits; and
- the design of enhanced or newly designed controls had not completely addressed risks identified and recommendations provided in past audits.

Access Controls

Access controls provide assurance that critical information systems' assets are physically safeguarded and logical access to sensitive applications, system utilities, and data are provided only when authorized and appropriate. Weaknesses in such controls can compromise the integrity of data and increase the risk that such data may be inappropriately accessed, modified, and/or disclosed by unauthorized persons, which may affect the accuracy of the financial statements. Our testing identified failures related to logical access controls at disability determination services (DDS), including logical access reviews/access recertification, the review of inactive user accounts, and segregation of duties. We also noted physical access control failures including the timely removal of physical access for separated DDS personnel and with physical access reviews/recertification. Our testing at SSA Headquarters identified control failures related to privileged users including the identification and review of logical access for privileged users, completeness and accuracy of reviews for the activities of individuals granted temporary privileged access to the mainframe, and review of mainframe system administrator activities. Further, we noted exceptions related to controls to prevent programmer access to the production environment. More specifically, SSA implemented a secondary user identification process to give programmers access to production data through a monitored, time-limited process. During testing, we determined this control was not operating effectively, as SSA was not reviewing and approving the access timely. Finally, we identified control failures related to the timely removal of logical access for separated SSA personnel.

Network Security Controls

Critical components of effective network security controls include, but are not limited to, configuration management, limiting access based on need-to-know/least privileged, and logging and monitoring of sensitive activities. Related processes and controls must be designed to prevent or detect such weaknesses as misconfigurations and vulnerabilities to combat internal and external cyber-threats, exploitations, and unauthorized access. We identified network security and inventory deficiencies, many of which persisted from prior audits.

Configuration Management

Configuration management involves the identification and management of security features for hardware, software, and firmware components of an information system at a given point while controlling changes to that configuration as part of the systems' life cycle. A disciplined process is required so configurations align with security standards and to ensure no unauthorized changes are implemented to configuration settings. We noted SSA needed to improve its controls over (1) hardening security configuration baselines (that is, providing prescriptive guidance on deploying and operating IT in a secure manner); (2) determining adherence to these baselines and guides through periodic monitoring; and (3) assessing, remediating, and/or justifying, assessing risk and approving deviations (if applicable). SSA also needs to improve controls for retaining evidence of testing, review, and approval of system software changes in its mainframe environment.

While these findings did not have a material impact on the financial statements, a lack of appropriately designed or implemented internal controls for information systems and related IT increases the risk of unreliable data and misstatements whether due to fraud or error and jeopardizes the programs' integrity.

Recommendations

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

1. Analyze the audit findings to identify root causes and trends, assess risk of control failures, and re-evaluate priorities for remediation. SSA should develop and/or review its risk-based approach and develop a roadmap of corrective actions. SSA should set attainable milestones for corrective actions and remediate these deficiencies timely.
2. Strengthen SSA's internal control system for access controls, network security, and configuration management to improve its effectiveness in identifying, documenting, and linking these controls to business processing controls that support financial reporting; assessing the design and effectiveness of these controls; and remediating any identified IT control gaps.

Significant Deficiency in Information Systems Risk Management

Overview

A dynamic, flexible, and robust information system/IT risk management program is essential to managing security and privacy risk in SSA's diverse IT environment. As threats evolve and become more sophisticated, complex, and numerous, appropriate risk management is required to build security into new systems, mitigate existing and emerging threats, and ensure essential mission support services are available. Further, IT risk management is needed to protect the confidentiality, integrity, and availability of SSA's financial and program information.

SSA must implement a risk management program that provides reasonable assurance that risks are identified and assessed, and controls are appropriately designed and operating effectively across the Agency's information systems and locations. Through the Agency's security management program, SSA's risk management framework must include a continuous cycle of activity for developing and assessing the discipline and structure of its control environment, assessing risk, developing and implementing effective security procedures, communicating, and monitoring the effectiveness of those procedures.

IT risk management must also be integrated, deployed, and communicated throughout the entity, divisions, operating units, and functions. SSA executive oversight, management and personnel are responsible for information security and privacy. Office of Management and Budget (OMB) Memorandum M-17-25, *Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure* provides Federal agencies implementation guidance to meet risk management reporting requirements. The memorandum states:

> *An effective enterprise risk management program promotes a common understanding for recognizing and describing potential risks that can impact an agency's mission and the delivery of services to the public. Such risks include . . . cyber . . . and a broad range of operational risks such as information security . . . Effective management of cybersecurity risk requires that agencies align information security management processes with strategic, operational, and budgetary planning processes . . . .*

Deficiencies in Control Design and/or Operational Effectiveness

We noted improvement in SSA's communication of IT risks and control requirements across its offices and its commitment to integrity and oversight of internal controls. For example, SSA implemented a security review board to assess control deficiencies and prioritize remediation, implemented a compliance dashboard, deployed Information System Security Officers (ISSO) strategically throughout its organization, and implemented procedures for performing oversight and monitoring of some DDS control requirements. However, we continue to identify recurring issues regarding processes, people, and technology in place to support SSA's IT risk management function that persist from prior audits.

- Processes – We noted SSA's processes lacked the following.
    - Repeatable and standardized risk management practices that were consistently applied and implemented across the organization at the entity, divisions, operating units and functions. For example, we noted control failures related to regional office security assessment and authorization processes, performance of risk assessments, vulnerability scanning of applications, and issuance and monitoring of plans of action and milestones (POA&M). Furthermore, as part of our Headquarters testing, we cited control deficiencies related to the information security monitoring and enforcement of contractor systems, completeness and accuracy of information system inventories and boundaries, common control inheritance considerations, a lack of completed requirements in security assessment and authorization packages, not consistently documenting justifications for delays or categorizing the criticality of POA&Ms, and out of date information system contingency plans.
    - A clear and concise security architecture function. SSA did not consistently incorporate assessing the impacts to the Agency's information system development lifecycle necessary for maintaining a disciplined and structured methodology for managing risk. This also includes not having procedures to assess aggregate level risk or comprehensive tools for monitoring risk, risk response types, and risk dependencies.
- People – Per the *Standards for Internal Control in the Federal Government* OV1.06, "People are what make internal control work. Management is responsible for an effective internal control system. As part of this responsibility, management sets the entity's objectives, implements controls, and evaluates the internal control system. However, personnel throughout an entity play important roles in implementing and operating an effective internal control system." We noted SSA's Information System Security Officers (ISSOs) were deployed to the regional offices in Fiscal Year 2021. However, the ISSOs had not yet developed and implemented their roles and responsibilities to include consideration of risks identified in regional office security assessments of field office and DDS sites. Further, we noted that on-site security assessments in some regions were suspended for Fiscal Year 2021.
- Technology – We noted SSA did not consistently and/or effectively deploy technology to manage its IT risk management function. SSA had made progress in this area but was still implementing and/or tuning software in many instances. For example, we continued to note issues with information system hardware and software inventory management, lack of a Network Access Control (NAC) technology solution, automation and tools for managing security configurations, and comprehensive tools to evaluate and communicate risks.

These findings did not have a material impact on the financial statements; however, they could have such negative effects as inaccurate security categorization of systems and applications;

ineffective identification, implementation and documentation of required controls; inappropriate testing and monitoring of those controls; and approving authorization to operate packages for the system without an appropriate understanding of risks.

Recommendations

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

1. Implementing and revising, as needed, the existing information system risk management framework(s) and strategy, using NIST 800-37 Rev. 2, *Risk Management Framework for Information Systems and Organizations: A System Life Cycle Approach for Security and Privacy* to consistently apply risk management practices Agency-wide. In addition, develop and implement a consistent approach to risk management within its security architecture and system development life-cycle processes and continue efforts to revise system boundaries and control inheritance as part of the Agency's effort to transition to ongoing authorization of its information systems.
2. Continue efforts to integrate deployed information security resources at various levels within the organization to implement and monitor SSA's revised risk management practices and provide the appropriate level of recurring training to individuals with internal control and information security responsibilities.
3. Review its current governance, risk, and compliance tools and software and consider additional tools and automation within its risk management practices and security controls.

Significant Deficiency in Internal Control over Accounts Receivable with the Public (Benefit Overpayments)

Overview

A benefit overpayment exists when beneficiaries receive payments beyond their entitled amount. When SSA detects a benefit overpayment, it records an accounts receivable with the public to reflect the amount due SSA from the beneficiary. Because of the nature of the benefit payment programs, SSA has extensive operations geographically dispersed nationwide. Overpayment detection, calculation, and documentation occur in various places throughout SSA, including approximately 1,200 field offices, 8 processing centers, and various functional areas within SSA's central office. Therefore, SSA has specific policies, procedures, and internal controls in place to consistently detect, calculate, and document overpayments and the related accounts receivable balances. Since the benefit overpayment process can be complex for some cases and relies on manual input, SSA's adherence to its internal controls is critical to accurately recording, documenting, and tracking overpayment balances. Management also relies on its IT infrastructure, interfaces, and controls to record and prevent erroneous payments.

Reconciliation of the Supplemental Security Income Accounts Receivable Ledger

OMB Circular A-123, Appendix D, *Compliance with Federal Financial Management Improvement Act* (OMB Circular A-123), requires that the United States Government Standard General Ledger be applied at the transaction level. For its OASDI and SSI programs, SSA tracks individual debtor overpayment transactions and accounts receivable balances in subsidiary ledger systems and adjusts the general ledger according to the balances reported from the subsidiary ledgers. As in prior years, our current-year testing revealed the detail-level beneficiary information in the SSI accounts receivable subsidiary ledger did not agree with the summary-level reports from the SSI subsidiary ledger.

SSA relies on these summary-level reports to update the general ledger; therefore, the SSI accounts receivable program balances reported in the general ledger and subsequently the financial statements, differ from the supporting detail-level beneficiary data in the SSI subsidiary ledger system.

System limitations prevent SSA from reconciling the SSI differences between the detail and summary-level information in the subsidiary ledger. This could lead to misstatements of the financial statements; however, the unreconciled differences are immaterial to the financial statements and the accounts receivable with the public line items.

Deficiencies in Benefit Overpayment Documentation and Calculations

We noted that prior audits identified significant deficiencies in internal controls related to SSA adhering to *Program Operations Manual System* criteria regarding maintaining sufficient evidence to support benefit overpayment balances or sufficient evidence to support approval of waived overpayments. The *Program Operations Manual System* provides important policies, procedures, and internal controls over processing and documenting overpayments. Based on evidence obtained during our business process walkthroughs, we determined, in Fiscal Year 2018, SSA had developed updated training for field and regional office personnel on obtaining and maintaining documentation necessary to support claims for overpayments and approval of waived overpayments. However, our inquiries of management since these enhancements, including inquires made during the current year, revealed that improvements in the operating effectiveness of this internal control process were not expected.

Professional standards dictate that, when an auditor deems a control to have been ineffective in the prior year, and management indicates there has been no improvement, the auditor need not test it in the current year. Therefore, we did not test a separate sample of new overpayments or waived overpayments identified in Fiscal Year 2021 for internal control effectiveness. In prior years, our testing disclosed that SSA did not follow established policy or maintain proper documentation to support overpayments and waivers. This can lead to difficulties in calculating and substantiating outstanding accounts receivable balances and potential misstatements to accounts receivable with the public balance presented on the financial statements.

To test the recorded amount of accounts receivable with the public, we selected a statistical sample of outstanding OASDI and SSI overpayment balances and noted overpayment calculation errors in 4 (15 percent) of 26 sampled OASDI items and 3 (9 percent) of 32 sampled SSI items. Although the statistically projected impact of these calculation errors was not material to the financial statements, these errors further evidence control weaknesses in the accounts receivable with the public processes, including inappropriate overpayment tracking that could lead to misstatements in the financial statements.

Deficiencies in Overpayment Records and Tracking for Long-term Installment Payments

Beneficiaries can request to repay overpayment balances in monthly installments as withholdings from monthly benefit payments. Depending on the amount of the overpayment balance and the amount of each installment payment, repayment periods can extend beyond December 2049.

According to Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, a receivable should be recognized when a Federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, (for example, taxes not received by the date they are due), or goods or services provided. If the amount is unknown, a reasonable estimate should be made. Further, SFFAS 7, *Accounting for Revenue and Other Financing Sources and*

Concepts for Reconciling Budgetary and Financial Accounting states that accounts receivable should be recognized when a collecting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets through its established assessment processes to the extent the amount is measurable.

We noted that SSA identified a system design process limitation concerning long-term withholding agreements that extend past December 2049 where the system cannot capture and track debt scheduled for collection beyond December 2049. Therefore, the accounts receivable balances related to these overpayments are understated in the amount of the installment payments expected to be collected beyond December 2049. The projected understatements are immaterial to the financial statements and the accounts receivable with the public balance. While the Agency is enhancing system capabilities to properly account for these receivables and updating policies to avoid longer-term repayment programs, failure to resolve the system-design process limitation will continue understating accounts receivable balances. In addition, the impact of this issue will continue to grow as December 2049 approaches if other factors remain constant.

Deficiencies in Tracking Delayed Adverse Actions on Reviewed Cases

In response to the COVID-19 pandemic, OMB issued Memorandum M-20-16*, Federal Agency Operational Alignment to Slow the Spread of Coronavirus COVID-19*, on March 17, 2020, which provided agencies direction for restructuring day-to-day business processes to ensure continuous public service toward their mission-critical activities while keeping employees and the public safe. Accordingly, the Agency suspended certain disability program monitoring workloads to focus on its mission-critical activities. Additionally, for reviews the Agency did conduct, it temporarily delayed effectuating any action that would adversely affect the beneficiary (that is, cessation or reduction of the related benefits).

In FY 2020, we recommended that the Agency design and implement a process for tracking deferred adverse actions on disability reviews to ensure actions were taken once the Agency resumed normal operations and to determine the financial statement impact of the delayed actions. In FY 2020, SSA did begin using a control to manually track these deferred actions and in FY 2021, the Agency used the resulting information to estimate the financial statement impact of cases that met the criteria for deferment. However, the Agency did not maintain evidence to support the population of manually tracked cases and other underlying data and assumptions used in its estimate. Further, the Agency performed its estimate as of February 2021 and did not update the estimate as of the fiscal year end. As a result, we were unable to test implementation of the manual control or determine reasonableness of the estimated impact on the Agency's benefit payments expense and accounts receivable balances as of September 30, 2021. Additionally, the Agency represented that the manual control to track deferred actions was not operating effectively and determined that the number of tracked cases was likely understated.

While the amounts associated with the deferred adverse actions are not deemed material to the financial statements, the deficiencies described above demonstrate the Agency's reliance on an inconsistently implemented manual control that could result in extended delays in processing adverse actions and therefore understating the amount of overpaid benefits owed by the public.

Recommendations

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

Reconciliation of the SSI Accounts Receivable Ledger

1. Continue implementing and executing SSI reconciliation internal controls between subsidiary ledgers at the detail level and the general ledger, through summary reports. Investigate and document reconciling differences on a periodic and timely manner.
2. Investigate potential system reporting enhancements to reduce unreconciled differences between summary- and detail-level data produced by subsidiary ledgers.

Deficiencies in Benefit Overpayment Documentation and Calculations

1. Continue exploring opportunities to improve overpayment accuracy and document retention through engaging field office and payment center employees in trainings related to common weaknesses and more complex overpayment cases.
2. Enhance management review of overpayment processing considering such risk-based factors as current overpayment balances, manual intervention required, and age.
3. Consider implementing new overpayment documentation tools to ensure overpayments are documented completely, accurately, and timely by field offices or processing centers within the appropriate systems of record.

Deficiencies in Overpayment Records and Tracking Long-term Installment Payments

1. Continue working toward updated debt management systems without the technical limitations over the length of time repayment installments can be recorded.
2. Continue pursuing changes in repayment policy to minimize future extended repayment plans.
3. Continue analyzing and tracking the impact of the December 2049 system design process limitation on the financial statements.

Deficiencies in Tracking Delayed Adverse Actions on Reviewed Cases

1. Continue pursuing enhancements to capture deferred actions that occurred as a result of the COVID-19 pandemic and deferred actions that may result in the future.
2. Implement a process for maintaining documentation that evidences operation of the tracking process and resulting estimates of financial statement impact. This should include evidence to support the underlying inputs and assumptions used to determine the financial statement impact of such delayed actions.

SOCIAL SECURITY

The Commissioner

November 10, 2021

Grant Thornton LLP
111 S. Calvert Street, Suite 2320
Baltimore, MD 21202

Dear Sir or Madam:

We have reviewed the Report of Independent Certified Public Accountants concerning our fiscal year (FY) 2021 financial statements. We are pleased we received our 28th consecutive unmodified opinion on our financial statements, an unqualified opinion that our internal control over financial reporting was operating effectively, and we had no reportable instances of noncompliance with laws, regulations, or other matters tested.

We are equally pleased your testing identified that we made substantial progress addressing your recommendations under the prior year significant deficiency concerning internal control over disability program monitoring. We acknowledge that continued work is needed to address that finding, which has now been moved under the significant deficiency related to internal control over accounts receivable with the public (benefit overpayments).

In this year's financial statement audit, you cited three significant deficiencies identified in prior years. The significant deficiencies concern internal control over certain financial information systems controls, information systems risk management, and internal control over accounts receivable with the public (benefit overpayments).

While each year we make progress in remediating elements of these significant deficiencies, we face challenges such as the ever-changing cybersecurity landscape in which we operate. We are resolving the deficiencies identified by audits through risk-based corrective action plans to mitigate risks and strengthen our control environment. Many elements of our remediation plans will take time to implement.

We appreciate both your efforts and the efforts of the Office of the Inspector General. The independent audit process continues to provide us with valuable recommendations, and we remain committed to excellence in financial management.

If members of your staff have any questions, they may contact Christian Hellie, Acting Associate Commissioner for the Office of Financial Policy and Operations, at 410-965-9511.

Sincerely,

Kilolo Kijakazi

Kilolo Kijakazi
Acting Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Other Information

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

In accordance with the *Reports Consolidation Act of 2000*, the *Fiscal Year 2021 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). The Inspector General Statement also describes the steps we have taken to address each of these challenges.

Next, in *Other Reporting Requirements*, we provide a summary of our financial statement audit and management assurances. We also provide information on our entitlement reviews and OIG anti-fraud activities, civil monetary penalties, biennial review of user fee charges, grant programs, debt collection and management activities, and payment integrity.

INSPECTOR GENERAL STATEMENT ON THE SOCIAL SECURITY ADMINISTRATION'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 10, 2021

Kilolo Kijakazi
Acting Commissioner

Dear Ms. Kijakazi:

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

MANAGEMENT AND PERFORMANCE CHALLENGES

For Fiscal Year 2021, we identified the following challenges:

- SSA's Response to the 2019 Novel Coronavirus Pandemic
- Improve Administration of the Disability Programs
- Improve the Prevention, Detection, and Recovery of Improper Payments
- Improve Service Delivery
- Protect the Confidentiality, Integrity, and Availability of SSA's Information Systems and Data
- Modernize Information Technology

In the attached document, we define each challenge, outline steps SSA has taken to address each challenge, and detail the actions SSA needs to take to fully mitigate each challenge. As some of the challenges are inter-related, progress made in one area could lead to progress in another. For example, SSA's response to the 2019 Novel Coronavirus Pandemic and further modernization of SSA's information technology would both affect service delivery.

The Office of Audit will continue focusing on these issues in Fiscal Year 2022 and assessing the environment in which SSA operates. I look forward to working with you to continue improving SSA's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gail S. Ennis
Inspector General

Enclosure

Fiscal Year 2021
Inspector General's Statement
on the
Social Security Administration's
Major Management and Performance Challenges

November 2021

THE SOCIAL SECURITY ADMINISTRATION'S RESPONSE TO THE 2019 NOVEL CORONAVIRUS PANDEMIC

SSA continues to provide its customers with limited service in its field offices as most employees telework, a major challenge for an agency that, before the pandemic, served over 40 million customers a year in its field offices.

WHY IS THIS A CHALLENGE?

The 2019 Novel Coronavirus (COVID-19) changed the Social Security Administration's (SSA) operations and the way it serves its customers. To mitigate the impact COVID-19 had on the public, Congress and the Office of Management and Budget passed several regulations, including mandates for SSA. In addition, SSA maximized telework and limited in-person services to ensure the health and safety of employees and visitors entering its facilities.

OPERATIONS

SSA limited its in-person field office operations to appointments for certain critical-need situations and began serving most of its customers through its online services and national 800-number. SSA had to ensure the vast majority of its approximately 28,000 field office employees had the resources needed to telework and respond to the increased use of non-in-person services.

With the increase in electronic services, SSA has primarily relied on its customers to submit supporting paperwork by mail. In Fiscal Year (FY) 2021, our audit work noted exponential increases in the amounts of incoming and outgoing mail to field offices as well as concerns with the oversight and internal controls over mail processing. We determined SSA had no performance metrics or management information on the volume of incoming, outgoing, or pending mail. Consequently, the Agency did not have sufficient information to enable it to adjust staffing levels to ensure mail was processed timely. SSA also lacks comprehensive policies and procedures to track and return original documents— including driver's licenses, birth certificates, passports, and naturalization documents—that customers provide as proof of eligibility for benefits or a Social Security number (SSN) card.

Regarding disability work, SSA assisted State disability determination services (DDS) in shifting their staffs to telework so they could continue making disability determinations. Before the pandemic, the majority of DDS staffs were not equipped with laptops. While SSA assisted the DDSs in mobilizing their staffs to work remotely, not all DDS employees were able to telework. The reduced staffing meant DDSs were processing fewer cases than they would have had they been staffed at pre-pandemic levels. Accordingly, SSA had over 160,000 more initial disability claims pending at the end of FY 2020 than it did at the beginning of the FY. As of the end of FY 2021, there were 739,745 initial disability claims pending.

COVID-19-RELATED MANDATES

On December 27, 2020, the President signed the *Consolidated Appropriations Act of 2021* (Pub. L. No. 116-260), which provided SSA $38 million to assist in carrying out the second round of economic recovery rebates. On January 20, 2021, the President signed Executive Order 13991, *Protecting the Federal Workforce and Requiring Mask-Wearing*. This Order required that Federal agencies immediately take action to comply with the Centers for Disease Control and Prevention guidelines with respect to wearing masks, maintaining physical distance, and other health measures for all persons in Federal buildings.

To provide guidance to Federal agencies on implementing Executive Order requirements, the Office of Management and Budget released the *COVID-19 Safe Federal Workplace: Agency Model Safety Principles*, which required that agencies submit plans for compliance with the requirements by January 29, 2021.

On June 10, 2021, the Office of Management and Budget released Memorandum M-21-25, *Integrating Planning for A Safe Increased Return of Federal Employees and Contractors to Physical Workplaces with Post-Reentry Personnel Policies and Work Environment*. This memorandum required that agencies develop approaches to post-reentry personnel policies and work environments by July 19, 2021.

WHAT PROGRESS HAS THE SOCIAL SECURITY ADMINISTRATION MADE?

OPERATIONS

During the COVID-19 pandemic, SSA equipped employees with necessary technology to answer the increasing number of calls while teleworking. SSA also shared previously unavailable field office general telephone numbers with the public so it could contact local employees during business hours. In an April 2021 report, we noted SSA's field offices and national 800-number received 30 percent more calls in June 2020 than June 2019, with field offices receiving most of the additional calls.

The number of callers who received busy messages during business hours declined in the months following June 2020. However, in June 2020, the Agency reduced the hours during which callers to the national 800-number could speak to SSA employees. SSA expanded its 800-number service in September 2020, currently operating from 8:00 a.m. to 7:00 p.m., which is 1 hour less than its pre-pandemic service hours.

SSA has reported that, because of system limitations, it lost the ability to offer 800-number callers post-call surveys in April 2020. In March 2021, SSA's Office of Quality Review, Office of Analytics, Review, and Oversight began conducting telephone interviews of 300 800-number callers per week and will continue to do so through January 2022. SSA has drafted interim reports based on the survey results, and it plans to publish a final report when the survey period is completed.

On March 18, 2021, SSA expanded the drop-box program, where the public can deliver original evidence to secure boxes in field offices. On April 14, 2021, SSA began allowing individuals to fax applications, a practice not previously allowed. On May 28, 2021, SSA began using express interviews in all field offices and SSN card centers. Agency staff pre-screens customers over the telephone to verify the need for face-to-face visits. In February 2021, SSA developed a new mobile check-in process, which allows visitors to use their mobile telephones to notify SSA of their arrival for their scheduled field office appointments. (More information about SSA's service options during the pandemic is available here.)

SSA released a mail processing action plan in August 2021. It outlines the short- and long-term actions SSA plans to take to (1) ensure the timely handling and return of primary evidence documents, (2) strengthen controls and business processes needed to ensure all mail is accounted for and tracked, and (3) protect against the loss of personally identified information. While the plan highlights the policies and business processes SSA plans to update, it generally does not include actual changes to those policies or processes. However, SSA did create time-based performance metrics for mail processing.

COVID-19-RELATED MANDATES

In March 2021, the Commissioner publicly released SSA's *COVID-19 Workplace Safety Plan.* The Plan included guidance on the following: telework, COVID-19 coordination teams, face masks, testing, contact tracing, symptom monitoring, quarantine, confidentiality, occupancy, distancing, cleaning, hygiene, ventilation, visitors, staggered work times, elevators, and shared spaces. SSA reported a limited number of authorized employees, mostly managers, enter field offices to perform mission-critical work that cannot be done remotely, such as opening mail, scanning documents for remote workers, and facilitating the return of documents to the public. Employees must report to field offices to address administrative tasks that cannot be handled remotely, including renewing employee credentials and resolving information technology issues.

SSA has not yet released the post-reentry personnel policies that was called for in the Office of Management and Budget's Memorandum M-21-25, *Integrating Planning for A Safe Increased Return of Federal Employees and Contractors to Physical Workplaces with Post-Reentry Personnel Policies and Work Environment*, by July 19, 2021. SSA reported that additional guidance, including guidance on mandatory vaccinations, necessitated substantive changes, and that it is finalizing its plan.

According to SSA, its Medical Office staff follows the latest Centers for Disease Control and Prevention criteria when an employee may have been exposed to COVID-19. The Medical Office staff provides managers standard language for notifying employees and individuals about potential exposure. SSA also reported that, when indicated, Medical Office staff shares information with local health departments.

SSA's contact-tracing capabilities are limited because SSA does not centrally maintain the names of employees or contractors who enter its facilities. In addition, SSA does not maintain contact information for all its visitors. SSA maintains only daily counts (without contact information) of certain visitors to its field offices and SSN card centers. For example, if a beneficiary visits a field office with his/her representative payee, SSA tracks the beneficiary but not the representative payee in its daily totals. This lack of information impairs SSA's ability to support local health departments with their contact tracing efforts.

While SSA has brought a limited number of staff into its field offices to process non-portable work and to staff express interviews, it has not offered the public its planned timeline for a wider reopening of its field office operations.

What the Social Security Administration Needs to Do

Keep the public and its employees aware of the status of the *COVID-19 Workplace Safety Plan* and how it plans to provide customer service safely throughout the pandemic.

Update the policies and business processes needed to ensure the security of original documents customers mail to SSA as proof of eligibility for benefits or a SSN card.

Key Related Links

SSA, OIG Website - Reports related to the COVID-19 pandemic

SSA, OIG Website - The Social Security Administration's Telephone Services During June 2020

SSA, OIG Website - The Social Security Administration's Processing of Mail and Enumeration Services During the COVID-19 Pandemic

SSA, OIG Website - Safety of Social Security Administration Employees and Visitors Since March 2020

SSA Website – Coronavirus (COVID-19) Updates

SSA Website - COVID-19 Workplace Safety Plan

Improve Administration of the Disability Programs

SSA continues to face challenges with pending disability hearings and related processing times, and the COVID-19 pandemic renewed challenges with pending disability claims and continuing disability reviews. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.

Why is this a Challenge?

Disabled individuals rely on SSA to quickly process disability applications, make disability determinations, complete disability-related hearings, and provide assistance with returning to work. To better serve its customers, SSA needs to address increasing pending initial disability claims and continuing disability reviews (CDR), reduce hearings processing times, and develop better strategies to help disabled beneficiaries return to work.

Pending Initial Disability Claims, Continuing Disability Reviews, and Hearings

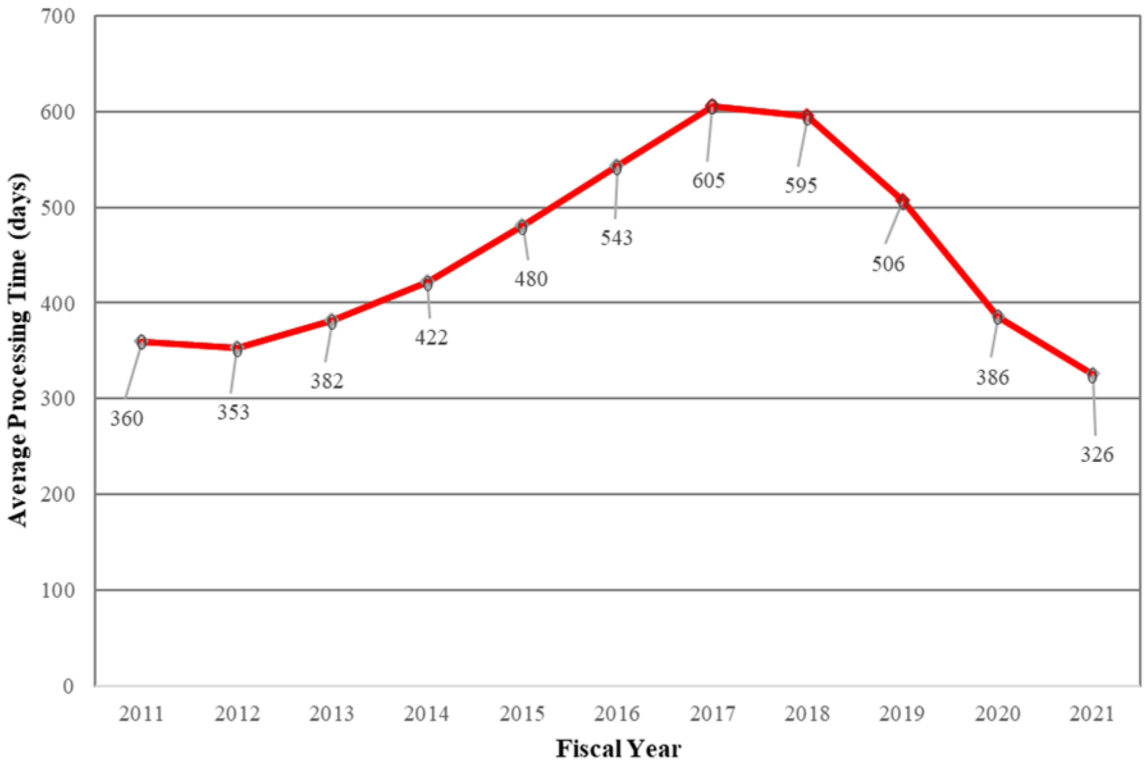
Before the COVID-19 pandemic began, SSA had reduced pending initial disability claims from almost 708,000 at the end of FY 2012 to almost 594,000 at the end of FY 2019. However, SSA's response to the COVID-19 pandemic, including closing DDSs and delaying consultative examinations, impacted initial disability claims processing. By the end of FY 2021, pending claims levels increased 25 percent to nearly 740,000.

While overall pending initial disability claims increased, SSA reported a significant decrease in Supplemental Security Income (SSI) disability applications during the COVID pandemic. In FY 2019, SSA received approximately 900,000 SSI disability applications. In FY 2021, SSA received approximately 708,000 such claims, a 21-percent decrease from the FY 2019 total.

In FY 2018, SSA eliminated the backlog of full medical CDRs. However, from mid-March through August 2020, SSA suspended processing medical CDRs that could result in benefit cessation. The number of full medical CDRs SSA processed decreased from over 713,000 in FY 2019 to approximately 510,000 in FY 2021, resulting in a backlog of nearly 153,000 full medical CDRs at the end of FY 2021. In addition, SSA did not always cease paying benefits it could have based on the CDR process. In October 2020, we reported SSA had not terminated approximately $337 million in benefits for almost 6,000 beneficiaries who did not cooperate with CDRs or requested SSA terminate their benefits because they were no longer disabled.

While SSA has continued reducing processing times and hearings pending levels (see Figure 1), it still has not achieved its processing time goal of 270 days. For FY 2021, the average processing time for hearings was 326 days, and the hearings pending level was 350,137.

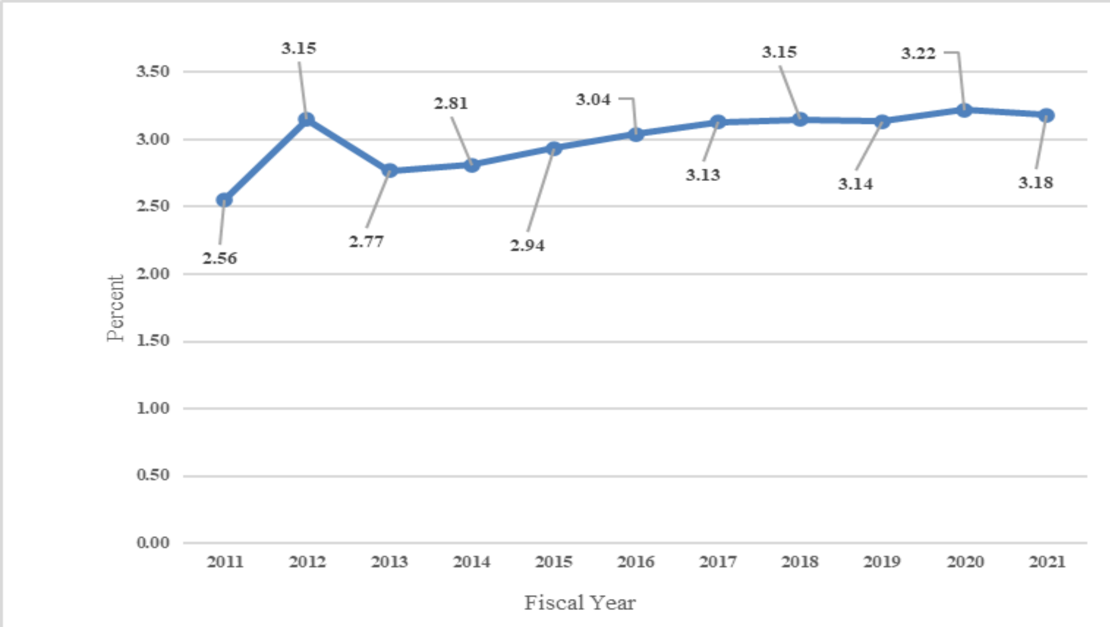
Figure 1: Average Hearings Processing Time



RETURNING DISABLED BENEFICIARIES TO WORK

Congress directed SSA to implement programs to help disabled individuals return to work. To date, these programs have helped only a small percentage of disabled individuals. For example, the *Ticket to Work and Work Incentives Improvement Act of 1999* (Pub. L. No. 106-170) established the Ticket to Work and Self-Sufficiency Program. Under the Program, SSA provides disabled beneficiaries a Ticket they can assign to qualified organizations to obtain vocational rehabilitation or employment services. However, while SSA has set goals to increase the number of participating beneficiaries, few eligible beneficiaries used their Tickets for vocational or employment services. Specifically, approximately 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use in FY 2021, similar to the percent of individuals who assigned their Tickets in recent years (see Figure 2).

Figure 2: Percent of Ticket-eligible Beneficiaries with Tickets Assigned or In-use



SSA's demonstration projects have tested simplified work rules; offered incentives, including family support; and, in some situations, tested changes to benefit calculations. While the tested changes have enticed only a small percentage of demonstration participants to use the incentives offered and return to work, SSA has used the results to influence the development of legislative proposals in its FY 2021 Congressional Justification.

As of February 2021, SSA had spent approximately $313 million to conduct and evaluate six demonstration projects from FY 2010 into FY 2021, and could expend up to an additional $19.7 million to complete the projects. To date, none of the demonstration projects has identified any potential savings. In FY 2021, SSA was conducting three demonstration projects. In addition, in June 2021, SSA conducted a project for lessons learned from prior demonstrations and how to improve future projects. (Read our audit on SSA's demonstration projects here.)

What Progress Has the Social Security Administration Made?

Pending Claims, Continuing Disability Reviews, and Hearings

During the COVID-19 pandemic, SSA continued processing and prioritizing initial disability claims, though in-person services were limited to appointment-only for certain critical-need situations. In March 2021, SSA began a national public outreach campaign to raise awareness of its disability programs and improve access to people facing barriers, such as language, medical conditions, or inadequate access to the Internet. While SSA increased outreach, it still saw a significant decrease in the number of SSI applications it received.

In FY 2021, DDSs were allocated additional employees to help address staff attrition and the disability claims backlog, onboarding 545 employees above attrition. SSA is also working to restore program integrity workloads, including medical CDRs, to pre-pandemic levels. As a result, SSA anticipates it will eliminate the CDR backlog in FY 2023.

In January 2016, SSA issued the *Compassionate And REsponsive Service* (CARES) plan to address the growing number of pending hearings and increased wait times. In April 2019, SSA released the 2018-2019 CARES plan, which noted that SSA expects to reach the 270-day average processing time goal in 2021. To address hearing office closures in response to the COVID-19 pandemic, SSA offered claimants telephone and online video hearings and established a public-facing Website to educate claimants and representatives on the hearing options available during the pandemic. Since the start of the pandemic, SSA has held over 647,000 telephone and 16,000 online video hearings.

To help unrepresented claimants prepare for hearings, SSA established an enhanced outreach process, which includes the option for claimants to receive their claim folders through encrypted email or their *my* Social Security account. SSA postponed hearings for claimants who declined telephone or online video hearings until it can resume in-person hearings. As a result, SSA will not achieve its FY 2021 processing time goal. However, SSA reduced the average hearing wait time and pending hearings to their lowest levels in over a decade and plans to reach its processing time goal by the end of December 2022.

Returning Disabled Beneficiaries to Work

To increase understanding of work incentives, SSA's Ticket to Work and Self-Sufficiency Program manager contractor led 12 online *Work Incentive Seminar Event* webinars. The webinars provide information on the Ticket to Work and Self-Sufficiency Program and other work incentives.

What the Social Security Administration Needs To Do

Renew its focus on reducing and eliminating the initial disability claims and CDR backlogs.

Implement and monitor the CARES initiatives designed to improve timeliness and reduce the hearings backlog.

Focus resources on capacity issues to better balance processing times and hearing office workloads.

Continue creating new opportunities for returning beneficiaries to work and ensure measurement of costs, savings, and effectiveness are part of the design of such initiatives.

Key Related Links

SSA, OIG Website - Reports related to improving the administration of the disability programs

SSA Website – SSA's CARES plan

SSA Website – SSA's CARES plan, 2018-2019 update

SSA Website – SSA's The Work Site

Improve the Prevention, Detection, and Recovery of Improper Payments

SSA must be a responsible steward of the funds entrusted to its care by minimizing the risk of making improper payments and recovering overpayments when they occur.

Why is this a Challenge?

SSA is responsible for issuing approximately $1 trillion in benefit payments annually; even the slightest error in the overall payment process can result in millions of dollars in improper payments. Improper payments may occur when SSA makes mistakes in computing payments or fails to obtain or act on available information, or when beneficiaries' fail to report events or provide incorrect reports.

Management of Payment Workloads

Improper payments can be overpayments, when SSA pays someone more than they are due, or underpayments, when SSA pays someone less than they are due. SSA estimates it made approximately $8.3 billion in improper payments in FY 2020: $6.8 billion in overpayments and $1.5 billion in underpayments.

While SSA has no control over what beneficiaries report or fail to report, it can control how it computes beneficiaries' payments and its overall management of payment workloads. Our 22 FY 2021 audit reports focused on improper payments identified over $2.1 billion in potential cost savings.

External Data

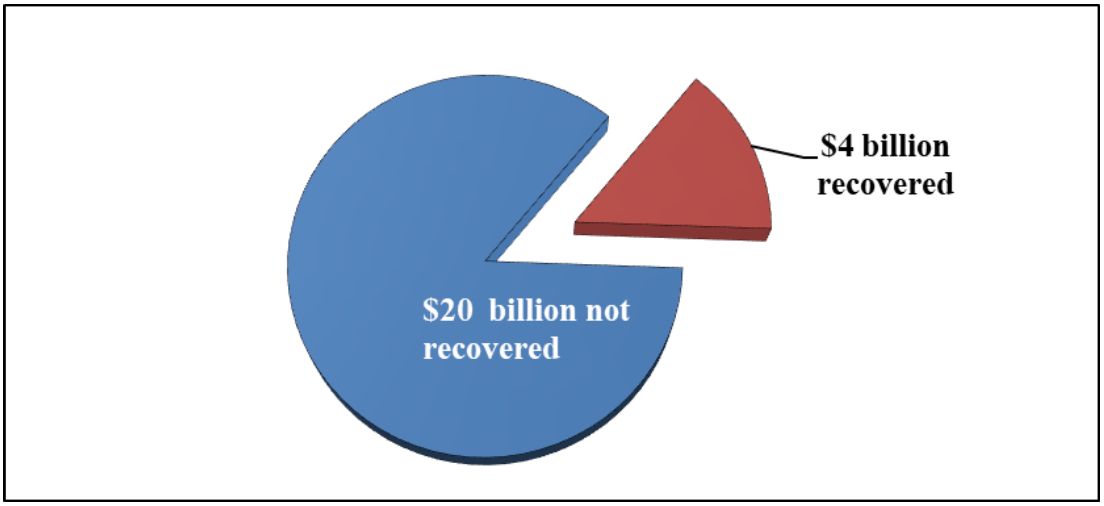
Preventing improper payments is more advantageous than recovering them after they are made since the Agency has to expend additional resources in recovering the overpayments or processing additional payments to rectify underpayments. Wages and income, resources, and living arrangements are a few of the factors that affect Old-Age, Survivors and Disability Insurance (OASDI) and SSI eligibility and payment amounts.

Beneficiaries and recipients are required to report to SSA any change in circumstances that may affect their benefits; however, they do not always comply. Obtaining data from external sources, such as other Federal agencies, State agencies, and financial institutions, is critical to preventing and detecting improper payments.

Recovery

When SSA determines it has underpaid a beneficiary, it will pay the beneficiary the amount owed. Once SSA determines it has overpaid an individual, it attempts to recover the overpayment. According to SSA, in FY 2021, it recovered over $4 billion in overpayments at an administrative cost of $0.07 on average for every dollar collected. Still, at the end of the FY, SSA had a $20 billion uncollected overpayment balance (see Figure 3).

Figure 3: FY 2021 Overpayment Recovery



What Progress Has the Social Security Administration Made?

Management of Payment Workloads

According to SSA, SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources, are another important program integrity tool. SSA estimated that, over 10 years, non-medical redeterminations conducted in FY 2021 will yield, on average, a return on investment of about $3 of net Federal program savings per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects. However, according to SSA, budgetary constraints determine how many redeterminations it conducts each year.

Through completed CDRs, SSA periodically verifies whether individuals are still disabled and eligible for disability payments. SSA estimated that, over the next 10 years, CDRs conducted in FY 2021 would yield, on average, net Federal program savings of roughly $8 per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid effects.

SSA uses 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. However, verifying wages is a manual process, and SSA continues relying on beneficiaries' ability to self-report wages. In FY 2017, SSA implemented myWageReport, which allows Disability Insurance beneficiaries to report earnings on computers, mobile devices, and smartphones through *my* Social Security. In FY 2018, SSA expanded myWageReport to allow SSI recipients, their representative payees, or their deemors to report earnings electronically.

External Data

SSA has worked to obtain data from other agencies and third parties to help identify and prevent improper payments. For example, SSA is updating its death reporting system to ensure it is collecting accurate data from national, State, and local agencies. Additionally, each quarter, SSA obtains wage data from the Department of Health and Human Services' Office of Child Support Enforcement, which allows it to identify beneficiaries who may be earning above certain dollar thresholds to prevent large overpayments. SSA also continues developing plans to obtain wage data from payroll providers and is pursuing new data exchange partners from government and private sectors.

To combat SSI recipients' unreported absences from the United States, SSA uses Department of Homeland Security Arrival and Departure Information System data of U.S. entries and exits during SSI redeterminations. In FY 2019, SSA implemented the Foreign Travel Data application to facilitate access to the Department of Homeland Security's Arrival and Departure Information System data. SSA technicians use the application to view foreign travel information for non-citizen SSI recipients to determine their SSI eligibility during the redetermination process.

Recovery

To collect overpayments, SSA uses internal debt collection techniques, such as payment withholding and billing/follow-up, as well as external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. Some of these techniques include the Treasury Offset Program and administrative wage garnishment.

In January 2021, SSA partnered with the Department of the Treasury's Pay.gov team to implement SSA's first online repayment option for OASDI beneficiaries and SSI recipients. This option allows beneficiaries and recipients to repay overpayments via credit or debit cards or automated clearing house transactions (that is, directly from a checking or savings account). Additionally, in July 2021, SSA implemented a second option to allow beneficiaries and recipients to use their banks' online bill pay features, which allows debtors to make a one-time or recurring automated clearing house draft from a bank account using a personal computer or mobile phone.

What the Social Security Administration Needs To Do

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries' and recipients' benefit payments.

Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when beneficiaries or recipients self-report information.

Address the root causes of improper payments to prevent their occurrence.

Key Related Links

SSA, OIG Website - Reports related to improving the prevention, detection, and recovery of improper payments

Federal Payment Accuracy Website – PaymentAccuracy.gov

SSA Website – Pay an Overpayment

Improve Service Delivery

SSA faces growing workloads and the expected retirement of experienced employees as it pursues its mission to deliver quality service to the public.

Why is this a Challenge?

SSA has serviced millions of customers annually through face-to-face service at its field offices, calls to its national 800-number, and its online applications. The COVID-19 pandemic greatly curtailed in-person field office service, placing greater stress on other service methods. Also, SSA faces a challenge in its ability to provide service because of expected retirements of experienced employees. Finally, impersonation scams, where fraudsters impersonate SSA employees to trick people into providing personal information or money, have eroded the public's trust, and made it harder for SSA to serve its customers.

Managing Customer-related Workloads

SSA has experienced a significant reduction in the number of visitors who enter its field offices during the pandemic. In FY 2021, SSA's field offices served approximately 1.2 million visitors, much less than the 20.6 million it served in FY 2020 and the 43 million it served in FY 2019. In a June 2021 report, we noted that SSA serviced an average 1,645 visitors per day from March 2020 through April 2021. To continue providing service to the public during the COVID-19 pandemic, SSA equipped field office and teleservice center employees with technology to answer calls remotely. (On page 2 of this report, we discussed the challenges SSA had answering the increased number of telephone calls it received.)

SSA suffered major service disruptions to its 800-number service in May 2021 when it unsuccessfully attempted to transition to a unified phone system. In response, SSA took steps to return to the prior operational status to reverse the service disruptions.

Online Services

SSA acknowledges that advancements in technology provide opportunities to do business differently and often more efficiently and conveniently. SSA continues exploring ways to enhance the customer service experience by providing online self-service options, many of which beneficiaries access through their *my* Social Security accounts. In FY 2021, SSA registered over 9.5 million users for *my* Social Security accounts. Since SSA implemented *my* Social Security, it has registered over 62 million users.

Our audit work found SSA's controls for the *my* Social Security Web portal had not prevented some individuals from fraudulently establishing accounts or submitting direct deposit transactions. Also, SSA's use of those same controls for Internet claims may similarly allow individuals to fraudulently submit Internet claims applications. Strengthening the identity verification process for new *my* Social Security account registrations will protect the public's personal information and improve customers' experience.

Experienced Employees and Institutional Expertise

SSA acknowledges that one of its greatest challenges is the expected loss of its most experienced employees. In FY 2021, 4,567 SSA employees retired or otherwise separated. As of October 1, 2021, SSA had 59,000 employees. At that time, 15,000 of them were eligible to retire, including 8,000 who were eligible for regular retirement and an additional 7,000 who would be eligible to retire under early retirement. The number of retirements and staff attrition could increase as staff who have been fully teleworking throughout the pandemic are asked to return to SSA's offices. These retirements, along with regular attrition, will cause a loss of institutional knowledge and potentially impair succession management and knowledge transfer.

As more staff retire, SSA has found it harder to hire staff in a more competitive job market, especially for entry-level positions. Hiring can also be hampered because of delays in the federal budget process, which often leaves SSA uncertain of how much funding it has to hire staff until later in the FY. Delayed funding can lead to vacancies going unfilled for longer periods of time and needing to hire more staff in shorter periods of time once funding is confirmed. Also, fewer current SSA staff are competing for management positions when they are available, possibly because managers have been asked to report to SSA's field offices to address non-portable work throughout the pandemic.

Impersonation Scams

In FY 2021, the Office of the Inspector General (OIG) has received tens of thousands of impersonation scam-related reports from the public. As imposter scams increase, SSA frontline staff spends more time responding to public inquiries. The time spent responding to scam-related inquiries and making related fraud referrals to the OIG divert frontline staff from completing their normal workloads, which include scheduling appointments, taking and adjudicating OASDI benefit claims and SSI applications, and handling post-entitlement issues. SSA staff also reported that, because of the scams, the public is more likely to question authentic telephone calls from SSA because they do not trust speaking with someone over the telephone.

What Progress Has the Social Security Administration Made?

Managing Customer-related Workloads

In response to the COVID-19 outbreak, in March 2020, SSA provided limited in-person field office service, by appointment only, for certain critical-need situations and moved teleservice center employees to a virtual environment. SSA shared previously unavailable field office general inquiry telephone numbers so the public could contact employees at the local level during business hours. SSA hired 1,000 new teleservice center employees in FY 2020 and continued replacing all staffing loses throughout FY 2021.

According to SSA, it did not alter staffing allocations because of the COVID-19 pandemic. Between March and April 2020, SSA equipped field office and teleservice center employees with technology to answer calls remotely so they could maintain communications with the public. The Agency deployed over 30,000 softphones to employees during this time and dispatched additional softphones through June 2020. SSA assigned teleservice center employees with Internet access to complete refresher training while waiting for the equipment to answer calls remotely on the national 800-number.

In response to its unsuccessful attempt to unify its 800-number telephone system, SSA planned a more phased approach to the unification process, which it began in September 2021. During its September 2021 effort, SSA had technical challenges when it began migrating teleservice representatives to the unified platform. As a result, SSA stopped the process after about half of its teleservice representatives were migrated. As SSA addresses the technical challenges identified, half of SSA's teleservice representatives answer calls to its 800-number while operating on the unified platform while the other half answer calls operating on the older platform.

Online Services

In May 2021, SSA launched the redesigned Social Security Statement in a controlled rollout to 500,000 random *my* Social Security users who were not receiving benefits. SSA is using this initial rollout to evaluate the feedback from usability and cognitive testing as well as feedback received through this soft rollout. SSA expects to fully release the Statement in fall 2021, which will include additional updates based on the feedback it receives during the initial rollout. SSA added other service options in *my* Social Security, including a tracking service that allows account holders to track the status of their initial claims or appeals and an application that allows representative payees to request Medicare replacement cards.

Additionally, beginning in June 2020, SSA began allowing individuals to sign into *my* Social Security with a username and password from ID.me. In May 2021, SSA partnered with Login.gov, a service offered by the General Services Administration, to accept its credentials for the *my* Social Security Web portal. In September 2021, SSA began requiring all new *my* Social Security account users to register using only ID.me or Login.gov.

Experienced Employees and Institutional Expertise

SSA's goal is to continue increasing the proficiency of its leadership cadre and "pipeline" to enhance the Agency's readiness to fill potential gaps in leadership and critical positions. In FY 2021, SSA selected participants for the third track of its National Leadership Development Program and provided competency-based leadership training for each track of the Program. All the Program participants completed developmental assignments in new areas of work with a focus on leadership development.

Impersonation Scams

Both SSA and OIG have continued public awareness campaigns to protect taxpayers from Social Security-related telephone scams. Both organizations have provided public outreach materials including multiple Inspector General fraud advisories explaining how to identify telephone scams and how to report scam activity. In addition, the OIG has used reports of scam activity to identify trends and investigate and disrupt the scams, securing multiple successful prosecutions of scam organizers and facilitators.

What the Social Security Administration Needs To Do

Continue developing and implementing strategies that will provide quality services to the public now and in the future and ensure SSA retains institutional knowledge.

Ensure any electronic applications offered through *my* Social Security include an effective authentication process.

Continue aggressively informing its customers on how to prevent becoming victims of fraud.

Key Related Links

SSA, OIG Website - Reports related to improving service delivery

SSA Website - *Agency Strategic Plan Fiscal Years 2018-2022*

SSA Website - *Annual Performance Plan for Fiscal Year 2021, Revised Performance Plan for Fiscal Year 2020, and Annual Performance Report for Fiscal Year 2019*

SSA Website - *FY 2021 Budget Overview*

Protect the Confidentiality, Integrity, and Availability of the Social Security Administration's Information Systems and Data

SSA must ensure its information systems are secure and sensitive data are protected.

Why is this a Challenge?

SSA's information technology (IT) supports every aspect of SSA's mission, whether it is serving the public during in-person interviews or online, routing millions of telephone calls on its 800-number, or posting millions of earner wage reports annually. Disruptions to the integrity or availability of its information systems would dramatically affect SSA's ability to serve the public and meet its mission. Also, SSA's systems contain personally identifiable information, such as SSNs, which, if not protected, could be misused by identity thieves.

Information Security

SSA continues expanding its online services to improve customer service and developing systems, and it is imperative that SSA have a robust information security program. In its most recent report for the *Federal Information Security Modernization Act of 2014* (Pub. L. No. 113-283), Grant Thornton LLP determined that SSA had established an Agency-wide information security program. However, Grant Thornton LLP identified a number of deficiencies in SSA's information security program that could limit its ability to protect the confidentiality, integrity, and availability of SSA's information systems and data.

Because of weaknesses identified, Grant Thornton LLP concluded SSA's overall security program was "Not Effective." To address the weaknesses, Grant Thornton LLP recommended that SSA strengthen its information security risk management framework; enhance IT oversight and governance to address these weaknesses; and adhere to its information security policies, procedures, and controls.

Social Security Number Protection and Earnings Accuracy

The SSN is relied on as an identifier and is valuable as an illegal commodity. Accordingly, the information SSA houses on every numberholder is desirable to would-be hackers and identity thieves. Protecting the SSN and properly posting the wages reported under it are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Accuracy in recording numberholder information is critical because SSA and other agencies rely on that information to verify employment eligibility, ensure wage reports are processed, and terminate payments to deceased beneficiaries. Accuracy in recording workers' earnings is critical because SSA calculates benefit payments based on an individual's earnings over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once SSA assigns the numbers, ensuring numberholder information is complete in its systems, and accurately posting earnings reported under SSNs are critical.

A specific challenge to ensuring accurate earnings postings is employers that report earnings information incorrectly so SSA cannot match the reported earnings to individuals in its records. The Earnings Suspense File is the record of wage reports on which wage earners' names and SSNs fail to match SSA's records. The Earnings Suspense File has accumulated $1.9 trillion in wages and over 388 million wage items for Tax Years 1937 through 2020.

WHAT PROGRESS HAS THE SOCIAL SECURITY ADMINISTRATION MADE?

INFORMATION SECURITY

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. SSA's *Cybersecurity Strategic Plan 2019–2022* focuses on how it will safeguard and protect against IT and cyber-security threats by continuing to mature its cyber-security program. The *Plan* defines strategic goals and priorities and includes strategies and initiatives to address IT and cyber-security challenges. The Agency's recent accomplishments and initiatives strengthened its identity verification processes. The accomplishments include:

- decommissioning its legacy remote registration process in December 2020. SSA now requires physical or electronic address verification for all remotely issued credentials;
- implementation of bot detection software in May 2021, which prevents scalable attacks on the registration process; and
- a partnership with Login.gov, a service offered by the General Services Administration, to accept their credentials for the *my* Social Security portal which began in May 2021.

In FY 2021, SSA established the Information Systems Security Officer program to provide oversight of IT security compliance. As part of the program, SSA hired and trained 24 information systems security officers, assigning one security officer to each regional and Deputy Commissioner-level office.

SOCIAL SECURITY NUMBER PROTECTION AND EARNINGS ACCURACY

SSA has taken steps to reduce the Earnings Suspense File's size and growth. The Agency allows employers to verify the names and SSNs of their employees using the Agency's SSN Verification Service, an online verification program, before reporting wages to SSA. In FY 2021, employers verified over 170 million SSNs using the SSN Verification Service over 170 million times.

SSA supports the Department of Homeland Security's E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. Through the second quarter of FY 2021, the Department of Homeland Security reported it processed 18.6 million E-Verify cases, of which approximately 273,000 (1.45 percent) received a "not authorized to work" response.

WHAT THE SOCIAL SECURITY ADMINISTRATION NEEDS TO DO

Address the deficiencies Grant Thornton LLP identified to improve SSA's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data.

Ensure the electronic services SSA provides are secure and comply with Federal security requirements.

Continue to be vigilant in protecting SSNs.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of SSA's employee verification programs.

Key Related Links

SSA, OIG Website - Reports related to protecting the confidentiality, integrity, and availability of SSA's information systems and data

SSA, OIG Website - The Social Security Administration's Information Technology Security Program and Practices for Fiscal Year 2021

National Institute of Standards and Technology Website - Special Publication 800-63-3, *Digital Identity Guidelines*

MODERNIZE INFORMATION TECHNOLOGY

SSA must continue to modernize its IT to accomplish its mission despite budget and resource constraints.

WHY IS THIS A CHALLENGE?

SSA relies on its IT infrastructure to serve the public and safeguard SSA programs. However, its significantly aging IT infrastructure is increasingly difficult and expensive to maintain, and it is harder to integrate new technologies and security tools with some legacy systems. SSA continues relying on outdated applications and technologies to process its core workloads (for example, retirement, and disability claims), and knowledge of its dated applications and legacy infrastructure will diminish as developers retire.

INFORMATION TECHNOLOGY INFRASTRUCTURE MODERNIZATION

SSA must maintain its legacy systems while, in parallel, developing modern replacements to keep pace with increasing workloads. The Agency had taken an incremental approach to IT modernization by replacing systems' components rather than whole systems. However, in its 2017 *IT Modernization Plan*, SSA acknowledged that this approach had not worked and committed to invest $691 million through FY 2022 in transformational initiatives and infrastructure.

In 2020, SSA updated its *IT Modernization Plan* by expanding the scope to include additional investments in direct service delivery. Under the revised scope, the Agency expects to spend $863 million on IT modernization through FY 2022, while using much of its IT funding—nearly $2 billion in FY 2021—to operate and maintain existing systems. Finally, although SSA has a multi-year modernization plan that focuses on improving customer services, it does not have comprehensive plans to address updating, replacing, or retiring all its legacy systems. Specifically, modernization targets indicated that many legacy systems will not be modernized by FY 2022.

INFORMATION TECHNOLOGY INVESTMENT PROCESS

SSA prioritizes and selects IT investments to support its strategic plans and goals through its IT Investment Process, which establishes procedures for new IT investment selections; implementation of the investments and maintenance; and operations of current and future investments. Although SSA verified and compared costs, functionality impact, and other areas in its post-implementation review reports, it could not quantify the benefits or calculate the return on investment for all the projects covered by those reports.

WHAT PROGRESS HAS THE SOCIAL SECURITY ADMINISTRATION MADE?

INFORMATION TECHNOLOGY INFRASTRUCTURE MODERNIZATION

In July 2020, SSA updated its *IT Modernization Plan* to focus more on customer service issues. This multi-year modernization effort is fundamental to the overall ability to improve service to the public. SSA's Chief Information Officer acknowledged SSA must undertake a larger, multi-year effort.

INFORMATION TECHNOLOGY INVESTMENT PROCESS

In FY 2020, SSA began the Information Technology Investment Governance Refresh, which is an effort to refresh enterprise-wide investment management processes and improve SSA's ability to measure and realize value.

Objectives of the Refresh include improving the Agency's ability to manage its IT investments, ensuring the Agency's IT investments support its priorities, and monitoring and reporting regularly on the realization of investment value and other measures of investment progress and performance. SSA reported that it completed the Refresh as scheduled in FY 2021.

What the Social Security Administration Needs To Do

Prioritize IT modernization activities to ensure available resources lead to improvements with the greatest impact on SSA's operations and the service it provides the public.

Ensure its IT planning and investment control processes are effective.

Key Related Links

SSA, OIG Website - Reports related to modernizing IT infrastructure

SSA Website – SSA's IT Modernization Plan

SSA Website – SSA's IT Modernization Plan, 2020 Update

Other Reporting Requirements

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit Table

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

Summary of Management Assurances Table

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. United States Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

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

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

Entitlement Reviews

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

Due to the Coronavirus Disease 2019 (COVID-19) pandemic, we discontinued all quality assurance samples for the third quarter of fiscal year (FY) 2020. For continuing disability reviews (CDR), we discontinued the sample for the third and fourth quarters of FY 2020. As a result, the initial and reconsideration data include only cases reviewed during the first, second, and fourth quarters of FY 2020. The FY 2020 CDR data include only reviews completed during the first and second quarters of FY 2020. We resumed regular CDR sampling in the first quarter of FY 2021.

We conduct the following major entitlement reviews:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for FY 2017 through FY 2021.

Quality Assurance Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	96.62%	96.62%	97.23%	97.35%	97.37%
Number of cases reviewed	40,295	29,588	34,915	32,286	34,198
Number of cases returned to the DDS offices due to error or inadequate documentation	1,360	1,001	967	857	898

DI Pre-Effectuation Reviews

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of CDR continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI pre-effectuation accuracy rates for FY 2017 through FY 2021.

DI Pre-Effectuation Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	94.65%	95.23%	95.26%	95.46%	95.76%
Number of cases reviewed	238,616	268,569	266,474	255,200	278,796
Number of cases returned to the DDS offices due to error or inadequate documentation	12,761	12,810	12,641	11,585	11,811

SSI Pre-Effectuation Reviews

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2017 through FY 2021.

SSI Pre-Effectuation Reviews Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Percent of State DDS decisions to allow not returned to the DDS offices for correction	96.27%	96.07%	96.47%	96.65%	96.92%
Number of cases reviewed	86,779	94,105	105,729	98,540	106,777
Number of cases returned to the DDS offices due to error or inadequate documentation	3,239	3,696	3,734	3,297	3,288

Continuing Disability Reviews

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2017 through FY 2021.

CDR Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overall accuracy	96.5%	96.8%	96.7%	96.9%	96.7%
Continuance accuracy	97.7%	97.6%	97.9%	98.0%	97.6%
Cessation accuracy	92.3%	93.2%	92.0%	92.9%	93.5%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2017 through FY 2020. Data for FY 2021 are not available at this time. We will report the FY 2021 data in our FY 2022 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overpayment accuracy	Data not yet available	99.83%	99.80%	99.77%	99.36%
Underpayment accuracy	Data not yet available	99.94%	99.95%	99.95%	99.97%

SSI Accuracy Table

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Overpayment accuracy	Data not yet available	91.25%	91.87%	91.77%	92.71%
Underpayment accuracy	Data not yet available	98.67%	98.72%	98.52%	98.87%

SSI REDETERMINATIONS

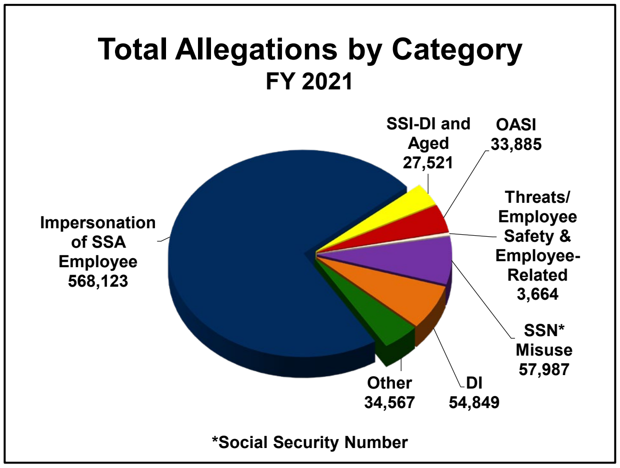
SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2017 through FY 2021.

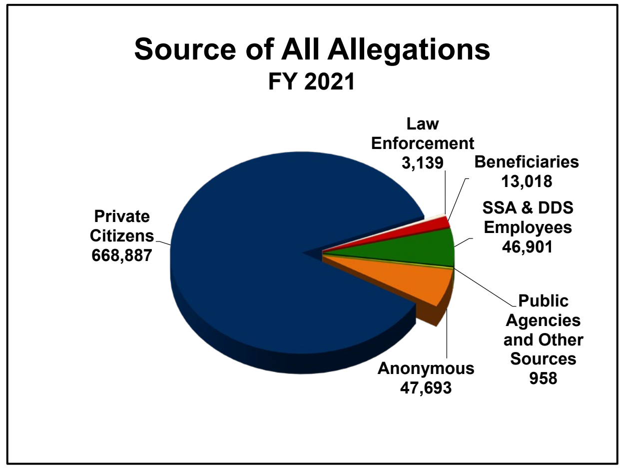
SSI Redeterminations Table
(In Millions)

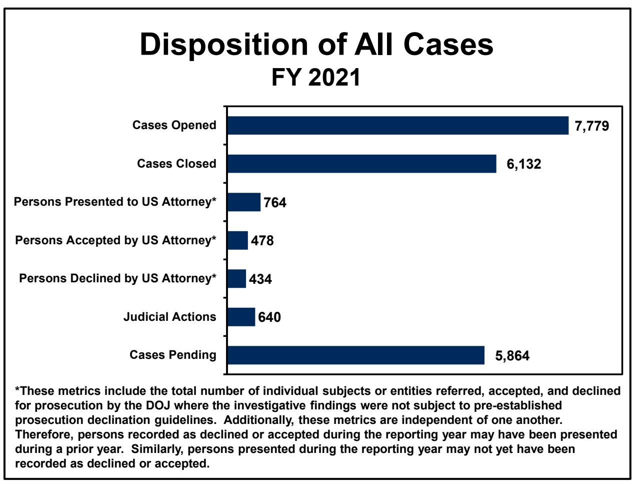
	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Number of redeterminations completed	2.37	2.15	2.67	2.91	2.59

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

In FY 2021, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding our assets. Due in part to a widespread telephone scam involving the agency, and the emergence of COVID-19 pandemic related fraud schemes, OIG continued to receive higher than normal volumes of allegations during FY 2021. The following charts provide information from our OIG concerning fraud.







CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Social Security Act* authorizes the Commissioner to impose a civil monetary penalty (CMP) for certain specific violations. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any material false statements or representations to the agency or knowingly withholds a material fact from the agency, to obtain or retain benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. A CMP may also be imposed against representative payees for the wrongful conversion of Social Security payments entrusted to their care. Section 1140 of the *Social Security Act* authorizes a CMP to protect the public from advertisements, solicitations, and other communications (including Internet websites) that may convey the false impression that we approved, endorsed, or authorized the communication. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without our authorization and places restrictions on the charging for services that we provide to the public without charge. The Commissioner delegated authority to enforce our CMP program to the Inspector General.

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* expanded the categories of penalties that require adjustment for inflation to include CMPs under the *Social Security Act* and requires agencies to: (1) use an interim final rulemaking to adjust the level of CMPs in 2016 with an initial "catch-up" adjustment; (2) continue to make annual adjustments in future years; and (3) report on these adjustments annually. As required, we are providing information on our current CMPs; these amounts include the initial "catch-up" and annual adjustments. We will continue to make annual adjustments in future years and report on these adjustments annually.

Civil Monetary Penalty Adjustments

Statutory Authority	Penalty	Year Enacted	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8(a)(1))	1994	2021	01/15/2021	$0-$8,708	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8(a)(1))	2015	2021	01/15/2021	$0-$8,212	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10(b)(1))	1988	2021	01/15/2021	$0-$10,832	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10(b)(2))	1988	2021	01/15/2021	$0-$54,157	SSA/OIG	86 Federal Register 1123 (January 2021); (www.federalregister.gov/documents/2021/01/07/2021-00007/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)

Biennial Review of User Fee Charges

Summary of Fees

In FY 2021 and FY 2020, we earned $312 million and $295 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 67 percent of user fee revenues from agreements with 20 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2021, we charged a fee of $12.49 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $13.16 for FY 2022. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2021 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2018. We are planning to perform another review of these fees during FY 2022.

Grant Programs

Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements,* requires agencies to report on Federal grant and cooperative agreement awards that have not yet been closed out and for which the period of performance, including any extensions, elapsed for more than two years. As noted in the following table, we have 12 such grants or cooperative agreements to report.

The agency has six grant programs monitored by Grants Management Officers (GMO). Each GMO is responsible for monitoring a workload to ensure timely grant closeouts. There are occasions when a GMO cannot immediately close a grant. That is the case with those listed below. These delays are the result of 1) interface issues between systems and 2) unfinalized indirect rates. In these instances, closeout could be delayed by one year. We are working to develop reports to better track closeout actions. We will continue to monitor those actions and close awards as soon as they are eligible for closeout.

Grants and Cooperative Agreements Summary Table

Category	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	Not Applicable	Not Applicable
Number of Grants/Cooperative Agreements with Undisbursed Balances	12	Not Applicable	Not Applicable
Total Amount of Undisbursed Balances	$49,104,762	Not Applicable	Not Applicable

Debt Collection and Management

Debt Collection

We have a robust debt collection program to recover all types of overpayments, which helps ensure eligible individuals receive the benefits to which they are entitled, and it safeguards the integrity of benefit programs to better serve recipients. We use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

In FY 2021, we recovered $4.070 billion using both our internal and external collection tools. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $19.775 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

Internal Collections

We utilize internal collection tools to recover payments of delinquent debt for individuals **in current pay**. In FY 2021, we recovered $4.040 billion using our internal collection tools, which accounted for about 99 percent of our total collections amount. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $18.755 billion using our internal collection tools.

In FY 2021, we focused on our remittance operation with the implementation of three new payment channels. In January 2021, we partnered with the Department of the Treasury's (Treasury) Pay.gov team to implement our first online repayment option for OASDI beneficiaries and SSI recipients to repay benefit overpayments via credit or debit card and an automated clearing house (i.e., a checking or savings account). Also, in January 2021, we partnered with Treasury to use U.S. Bank, a financial agent for Treasury, to implement a lockbox service to assist with our paper remittance processing efforts. In February 2021, we began routing paper remittances to Treasury's lockbox for processing, providing relief to our Remittance Accounting Unit. In July 2021, we implemented Online Bill Pay providing another electronic repayment method to the public.

The following table provides a description of each of our internal debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

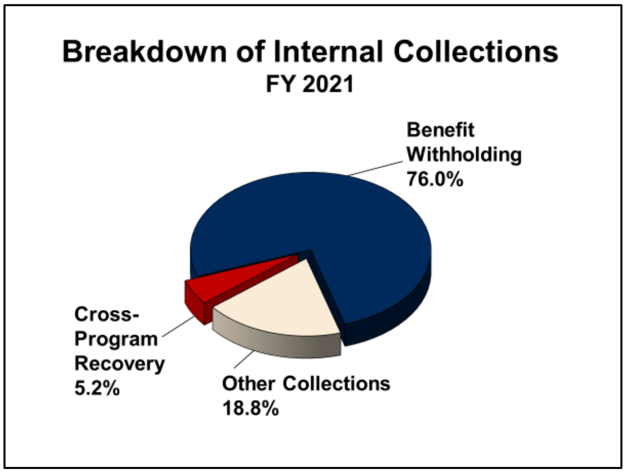
Internal Collections During Fiscal Year 2021
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
Benefit Withholding	We withhold some or all benefit payments for Title II beneficiaries and Title XVI recipients in current pay. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.188	$0.881	$3.069
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.023	$0.189	$0.212
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.456	$0.304	$0.759
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.667	$1.373	$4.040

Notes:

1. Totals do not necessarily equal the sum of rounded components.

The following chart highlights the allocation of overpayments collected through our various internal collection tools as a proportion of the total FY 2021 $4.040 billion internal collections amount.



External Collections

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2021, we recovered $0.030 million using our external collection tools, which accounted for about 1 percent of our total collections amount. Over the last 5 years (FY 2017 through FY 2021), we have collected a total of $1.018 billion using our external collection tools.

Due to the COVID-19 pandemic, in March 2020, we requested and received approval to suspend using the Treasury Offset Program (TOP). We requested Treasury to pause TOP to recover delinquent debts we previously referred to Treasury for collection, and suspended our referral of delinquent debts to TOP. In addition, we suspended new Administrative Wage Garnishment (AWG) orders. This suspension continued through FY 2021. Changes to our external recovery methods resulted in fewer debt collections.

The following table provides a description of each of our external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

External Collections During Fiscal Year 2021
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
TOP	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset.	$(0.001)	$(0.001)	$(0.001)
AWG	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions).	$0.022	$0.009	$0.031
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.022	$0.008	$0.030

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. We use credit bureau reporting, non-entitled debtors, and automatic netting SSI as external collection tools. Collections derived from these recovery methods are subsets of the main recovery methods displayed in the table above. However, we track these collections for informational and decision-making purposes.

DEBT MANAGEMENT

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide notes on activity that affected the change in accounts receivable activity between FY 2020 and FY 2021. We provide definitions of certain line items immediately following the Debt Management Activities Program and Administrative Table. For more information on our effort to curb overpayments, please refer to the Payment Integrity section immediately following this section.

A Title II system design limitation prevents us from capturing and tracking long-term withholding agreements for debts owed by the public scheduled for collection beyond the year 2049. GAO noted this information in the July 2011 audit report entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." Current policy allows for repayment periods based on the ability of beneficiaries to repay on a periodic basis. This allows for the establishment of payment terms, which may exceed the expected life span of the beneficiary as we often withhold minimal amounts to avoid imposing undue hardships. We recognize that a portion of this debt owed by the public will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 61,400 debts owed by the public are affected by payment plans extending beyond December 31, 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $731 million as of September 30, 2021. This amount is not material to the consolidated financial statements. The 2049 data limitation in our debt management systems will no longer exist with the implementation of the new Debt Management System in FY 2023.

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

FY 2021 Quarterly Debt Management Activities Program and Administrative Table
(Dollars in Millions)

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total receivables	$20,884	$21,570	$21,617	$22,330
New receivables	9,061	7,027	4,357	2,170
Total collections	(4,517)	(3,202)	(2,150)	(1,081)
Adjustments	(617)	(149)	(163)	(148)
Total write-offs	(7,441)	(6,504)	(4,825)	(3,009)
- Waivers	(281)	(208)	(130)	(59)
- Terminations	(7,160)	(6,296)	(4,695)	(2,950)
Aging schedule of debts:				
- Non delinquent debt	14,833	15,514	14,845	13,969
- Delinquent debt				
- 120 days or less	1,020	1,019	1,114	1,490
- 121 days to 10 years	3,980	4,010	4,656	5,659
- Over 10 years	1,051	1,027	1,002	1,212
- Total delinquent debt	$6,051	$6,056	$6,772	$8,361

Debt Management Activities
Program and Administrative Table
(Dollars in Millions)

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Total receivables	$20,884	$24,398	$25,834	$24,484	$22,644
New receivables[1]	9,061	6,332	7,899	7,943	7,602
Total collections	(4,517)	(4,100)	(4,215)	(3,992)	(3,888)
Adjustments	(617)	(1,129)	(1,431)	(1,333)	(1,297)
Total write-offs[2]	(7,441)	(2,539)	(903)	(778)	(787)
- Waivers	(281)	(260)	(390)	(329)	(339)
- Terminations	(7,160)	(2,279)	(513)	(449)	(448)
Non delinquent debt	14,833	14,263	14,445	14,272	13,628
Total delinquent debt	$6,051	$10,135	$11,389	$10,212	$9,016
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	71.0%	58.5%	55.9%	58.3%	60.2%
- Delinquent	29.0%	41.5%	44.1%	41.7%	39.8%
% of debt estimated to be uncollectible[3]	56.3%	59.2%	45.7%	43.5%	42.6%
% of debt collected	21.6%	16.8%	16.3%	16.3%	17.2%
% change in collections from prior fiscal year	10.2%	-2.7%	5.6%	2.7%	7.9%
% change in delinquencies from prior fiscal year	-40.3%	-11.0%	11.5%	13.3%	12.3%
Clearances as a % of total receivables	57.3%	27.2%	19.8%	19.5%	20.6%
- Collections as a % of clearances	37.8%	61.8%	82.4%	83.7%	83.2%
- Write-offs as a % of clearances	62.2%	38.2%	17.6%	16.3%	16.8%
Other Analysis					
Cost to collect $1	$0.07	$0.06	$0.06	$0.07	$0.07
Average number of months to clear receivables[4]:					
- OASI	13	16	16	16	15
- DI	27	68	45	45	44
- SSI	48	66	49	43	43

Notes:

1. New Receivables – In FY 2020, as a result of the COVID-19 pandemic, the agency deferred certain overpayment debt activities (i.e., issuing new debt), which resulted in lower new debt in FY 2020 than in previous fiscal years. In FY 2021, these deferred overpayments from FY 2020 were processed, resulting in increased new debt compared to previous fiscal years.
2. Total Write-offs/Terminations – During FY 2020, we re-evaluated our program debt portfolio, specifically delinquent and uncollectible debt that we were pursuing. We found that we were pursuing debt that was largely uncollectible, thereby inefficiently using our processing centers' limited resources. In FY 2020, we targeted and wrote-off a portion of our OASI and DI debt that we determined to be uncollectible to start our new debt write-off process, which contributed to the increase in Terminations compared to previous years. In FY 2021, we continued to evaluate our delinquent debt and have continued this write-off process for our SSI program debt, as well as additional OASI and DI debt. As part of this new debt write-off initiative, we have developed an automated process to evaluate debt going forward for potential write-offs. By terminating collection activity on uncollectible debt, we are better reflecting current receivables on our financial statements as well as reducing the number of actions from the processing center pending backlog. Please note that any debt terminated is still eligible for collection in the future. (See Termination definition below).
3. Percentage of Debt Estimated to be Uncollected – Our allowance for doubtful accounts methodology allows for all delinquent debt two years or older at 100 percent. For remaining debt that is not delinquent two years or more, we apply our uncollectible ratios, consistent with previous years. We add the fully allowed delinquent debt two years and older value to the calculated uncollectible value on the remaining debt to calculate the total allowance for doubtful accounts.

4. Average Number of Months to Clear Receivables – The changes to our accounts receivable activity in FY 2021 have affected the average number of months to clear debt.
5. Various data elements for FY 2021 in the Percentage Analysis section are affected by the changes to our accounts receivable activity in FY 2021, specifically our continued write-off efforts. See Note 2 above.
6. Refer to Note 1, Summary of Signification Accounting Policies, and Note 6, Accounts Receivable, Net, in the *Financial Statements and Additional Information* section for more information.

Definitions:

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

PAYMENT INTEGRITY

Program integrity workloads are critical to ensuring efficient programs and accurate payments in our OASDI, SSI, and Administrative Payments programs. As good stewards of our resources and taxpayer funds, these workloads help ensure eligible individuals receive the benefits to which they are entitled, and safeguard the integrity of benefit programs to better serve recipients by confirming eligibility and preventing fraud. "Ensure Stewardship" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years 2018–2022* (www.ssa.gov/agency/asp). Each year, we report IP findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct CDRs to determine whether disability beneficiaries continue to meet the programs' medical criteria. Terminating disability benefits after a CDR does not necessarily mean that the original determination was incorrect; it means the beneficiary's medical condition has improved and the beneficiary no longer meets our definition of disability. Therefore, we consider the benefits he or she received before improvement to be proper.

On March 2, 2020, the President signed into law S. 375, the *Payment Integrity Information Act of 2019* (PIIA). This law changed government-wide IP reporting requirements by repealing and replacing the *Improper Payments Information Act of 2002*, the *Improper Payments Elimination and Recovery Act of 2010*, the *Improper Payments Elimination and Recovery Improvement Act of 2012*, and the *Fraud Reduction and Data Analytics Act of 2015*. On March 5, 2021, OMB published a revised version of OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, to implement the provisions of PIIA. The goal of the revised version of OMB Circular A-123, Appendix C is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of IPs, balancing payment integrity risks and controls, and building the capacity to help prevent future IPs.

In accordance with OMB guidelines, we report as improper those payments that resulted from:

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

Effective FY 2021, all programs with annual outlays over $10,000,000 will fall into one of two possible classifications: Phase 1 or Phase 2.

Programs that are <u>not</u> likely to have an annual amount of IPs plus annual unknown payments (UP) above the statutory threshold (which is either (1) both 1.5 percent of program outlays and $10,000,000 of all program payments made during the fiscal year or (2) $100,000,000) are referred to as being in Phase 1. Per this definition, our Administrative Payments program is considered to be in Phase 1 for OMB reporting purposes. If a program in Phase 1 determines that it is likely to annually make IPs plus UPs above the statutory threshold, then the program will move into Phase 2 the following year. Once in Phase 2, a program will have additional requirements such as reporting an annual IP and UP estimate. Our OASDI and SSI programs are considered to be in Phase 2 for OMB reporting purposes.

In addition, a Phase 2 program that reports IPs resulting in monetary loss in excess of $100,000,000 annually is considered a High-Priority program. Our OASDI and SSI programs meet the definition of High-Priority programs.

OMB standardized the collection of information required by statute in an annual data call in lieu of narrative-style reporting previously included in the *Agency Financial Report*. Information about the IPs, root causes, and corrective actions in our programs for FY 2021 (and previous years) can be found on www.paymentaccuracy.gov.

Appendix

SSA.gov

GLOSSARY OF ACRONYMS

A

ACA	Affordable Care Act
ACH	Automated Clearing House
ADP	Automated Data Processing
AFR	Agency Financial Report
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ARP Act	American Rescue Plan Act of 2021
ARRA	American Recovery and Reinvestment Act of 2009
ASP	Agency Strategic Plan
AWG	Administrative Wage Garnishment

B

Banking Bill	Economic Growth, Regulatory Relief, and Consumer Protection Act

C

CARES	Compassionate and REsponsive Service
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CAS	Cost Analysis System
CDI	Cooperative Disability Investigation
CDR	Continuing Disability Review
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CMP	Civil Monetary Penalty
COLA	Cost of Living Adjustment
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CPR	Cross-Program Recovery
CSRS	Civil Service Retirement System

D

DACA	Deferred Action for Childhood Arrivals
DATA Act	Digital Accountability and Transparency Act of 2014
DCPS2	Disability Case Processing System
DDS	Disability Determination Services
DI	Disability Insurance
DMS	Debt Management System
DOJ	Department of Justice
DOL	Department of Labor

E

EFRM	Enterprise Fraud Risk Management
EIP	Economic Impact Payments
EN	Employment Network
EO	Executive Order
ERM	Enterprise Risk Management

F

FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employee Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMS	Financial Management System
FR	Financial Report of the United States Government
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GMO	Grants Management Officer
GPRMA	Government Performance and Results Modernization Act of 2010
Grant Thornton	Grant Thornton LLP
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

HI	Hospital Insurance

I

IP	Improper Payments
IRS	Internal Revenue Service
ISSO	Information System Security Officer
IT	Information Technology

L

LAE	Limitation on Administrative Expenses
LPR	Lawful Permanent Resident

M

MATPSC	Mid-Atlantic Program Service Center
MD&A	Management's Discussion and Analysis
myWR	myWageReport

N

NAC	Network Access Control
NED	Non-Entitled Debtor
NIST	National Institute of Standards and Technology
NLDP	National Leadership Development Program

O

OA	Occupancy Agreement
OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OLBP	Online Bill Pay
OMB	Office of Management and Budget
OPM	Office of Personnel Management

P

PIIA	Payment Integrity Information Act of 2019
POA&M	Plans of Action and Milestones
PP&E	Property, Plant, and Equipment
PTF	Payments to Social Security Trust Funds
Pub. L. No.	Public Law Number

R

RPA	Robotic Process Automation

S

SECA	Self Employment Contributions Act
SFFAS	Statement of Federal Financial Accounting Standards
SF-133	Report on Budget Execution and Budgetary Resources
SMI	Supplemental Medical Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSOARS	Social Security Online Accounting and Reporting System
Statement	Social Security Statement

T

Title VIII	Special Veterans Benefits
TOP	Treasury Offset Program
Treasury	Department of the Treasury

U

UP	Unknown Payments
U.S.	United States
U.S.C.	United States Code
USSGL	United States Standard General Ledger

V

VR	Vocational Rehabilitation
VSD	Video Service Delivery

SSA Management and Board Members

Key Management Officials

Acting Commissioner	Kilolo Kijakazi
Deputy Commissioner	Vacant
Chief Actuary	Stephen C. Goss
General Counsel	Royce B. Min
Inspector General	Gail S. Ennis
Acting Deputy Commissioner, Analytics, Review, and Oversight	Nancy A. Berryhill
Deputy Commissioner, Budget, Finance, and Management	Michelle A. King
Acting Deputy Commissioner, Communications	Darlynda K. Bogle
Deputy Commissioner, Hearings Operations	Theresa L. Gruber
Deputy Commissioner, Human Resources	Alan S. Frank
Deputy Commissioner, Legislation and Congressional Affairs	Eric R. Skidmore
Deputy Commissioner, Operations	Grace M. Kim
Acting Deputy Commissioner, Retirement and Disability Policy	Stephen G. Evangelista
Deputy Commissioner, Systems/Chief Information Officer	Sean P. Brune

Board of Trustees

Social Security Advisory Board

Our Agency Financial Report
is available at:
SSA.gov/finance

Social Security Administration
SSA Publication No. 31-231 | November 2021
Produced and published at U.S. taxpayer expense