

# Performance Goals and Results

Social Security is fundamental to the economic security of the American public. As the largest and most successful domestic program in our nation's history, Social Security contributes to the basic well-being, health and quality of life of the American people. For the beneficiary, family member, neighbor or taxpayer, the presence of Social Security is assurance of a certain economic standard of living for the community and the nation.

As the agency charged with managing and delivering these important programs, for over sixty years SSA has ranked among the premier agencies in government for our service. In many communities across the country and to many people, SSA has been the primary face of the federal government, and Americans have generally viewed the Agency's performance and service favorably. The Agency's pride and flagship, the front line workforce, continues to strive to provide excellent service to the public.

Today, SSA faces great challenges: giving the American people the service they deserve, particularly as the number of beneficiaries increase each year with the aging of the Baby Boomers; improving program integrity through sound fiscal stewardship; ensuring the program's solvency for future generations; and maintaining the quality staff that SSA needs to meet these challenges. As SSA prepares itself for a vastly different future, we must, at the same time, keep performance and service at its traditional best. While we must invest in tomorrow, we are committed to providing the service the American public has come to expect from us today.

To effectively address these challenges, SSA is developing a new Agency Strategic Plan (ASP) which will be published in early 2003. The new plan will reflect the priorities and direction of SSA's Commissioner and the Administration. It will set SSA's course through FY 2008 so that we can achieve measurable results that improve the lives of the American public by achieving four strategic goals:

- To deliver high-quality, citizen-centered service,
- To ensure superior stewardship of Social Security programs and resources,
- To achieve sustainable solvency and modernize Social Security programs to meet the needs of current and future generations, and
- To strategically manage and align staff to support SSA's mission.

A key force in shaping our strategic direction is the President's Management Agenda (PMA), which is integrated into our new strategic plan. The PMA identifies five government-wide initiatives intended to work together as a mutually reinforcing set of reforms to improve federal management and deliver results that matter to the American people. These five initiatives—Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government and Budget and Performance Integration—will be interwoven into the means and strategies for achieving our strategic goals.

Along with available funding, the new Agency Strategic Plan will provide a long-term performance context and strategy for making decisions on needed improvements in service delivery, fiscal stewardship and the required staffing. It will guide the technology and capital investments for the next five years that support the execution of our strategic goals. It will set the stage for new legislative and policy changes that will re-shape our programs to be more responsive to the needs of today's taxpayers and beneficiaries.

The strategic plan in effect for *this FY 2002* Performance Report is "*Mastering the Challenge*," which was published in 2000 and covers the period FY 2000 through FY 2005. This strategic plan states SSA's mission and establishes five broad strategic goals and seventeen supporting objectives that encompass all our program activities. The five strategic goals are:

- To deliver responsive, world-class service,
- To ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse,

- To strengthen public understanding of the Social Security programs,
- To be an employer that values and invests in each employee, and
- To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation.

*“Mastering the Challenge”* charted a course for SSA to realize by 2005 concrete results in improved service to the public, strengthened program integrity, and increased public knowledge of our programs. At the same time, with investments in technology, the workforce and an expanded base of policy analysis, we worked to position the Agency to meet tomorrow's service needs.

In FY 2002, we made major strides toward achieving those long-term, concrete results. This FY 2002 performance report is our opportunity to describe that progress. We present that progress in the context of the requirements of the Government Performance and Results Act of 1993 (GPRA). The GPRA statute requires Federal agencies to develop and institutionalize processes to plan for and measure mission performance.

Strategic plans, annual performance plans and annual performance reports comprise the main elements of GPRA. Together, these elements create a recurring cycle of planning, program execution, measurement, and reporting. By forging a strong link between resources and performance, these plans and reports show what is being accomplished and reinforce accountability for the money that is being spent.

At SSA, agency officials and staff use these plans and reports to manage and administer Social Security programs. They are also used by the President and Congress when forming programmatic and policy decisions, for oversight, and by the public for information on the purpose and effectiveness of Social Security programs and activities.

For each of the supporting objectives the FY 2002 Annual Performance Plan (APP), which was submitted to Congress in April 2001, sets forth the performance indicators and annual targets that serve as the measures of our performance in FY 2002. The Revised Final FY 2002 Performance Plan was published in April 2002. It revised several performance indicators and annual targets based on factors including but not limited to subsequent SSA consideration of actual, full-year performance data for FY 2001 and reductions to SSA's FY 2002 budget request. This FY 2002 performance report reflects that revised plan.

Beginning in FY 2003 and in accordance with our new Agency Strategic Plan, we will reduce the number of performance indicators used to measure our performance. These improved indicators will be more meaningful to our external audiences and more outcome-oriented than previous years' measures. Beginning with our FY 2003 Annual Performance Report, we will report on the results SSA achieves in the context of the long-term outcomes envisioned in our new strategic plan.

## Summary of FY 2002 Performance

In FY 2002 as in every other year, the largest usage of SSA's administrative resources went to processing our substantial day-to-day workloads. These workloads include:

- Paying benefits to 50 million people every month;
- Taking over 5 million claims, evaluating evidence, and making determinations of eligibility for benefits;
- Issuing 17 million new and replacement Social Security Number (SSN) cards;
- Processing 266 million earnings items for crediting to workers' earnings records;
- Handling 51 million calls to SSA's 800-number;
- Issuing 138 million Social Security Statements;
- Processing 1.5 million continuing disability reviews; and
- Processing over 2.3 million SSI redeterminations.

At the same time that we met these considerable day-to-day challenges, we made considerable progress in working to achieve our strategic performance commitments and to prepare to meet the future challenges of projected significant workload increases and employee retirements. We also continued to take action to address the several long-term management challenges identified to us by the General Accounting Office, SSA's Office of Inspector General, and the Social Security Advisory Board.

We also made significant progress in supporting the President's Management Agenda (PMA). Our progress included implementing specific improvements and working toward establishing the needed infrastructure for future improved performance. We incorporated the President's Management Agenda initiatives into our strategies for achieving SSA's mission and strategic goals. We developed multiyear plans for achieving the goals of the PMA. In the Administration's PMA Scorecard issued in June 2002, SSA's progress in implementing the initiatives was recognized with one of the best evaluations overall, as compared with other departments and major agencies.

During FY 2002, we made considerable progress in meeting our long-term performance goals. For example:

- We increased overall public satisfaction, reflecting improved perceptions of access to, and quality of, telephone and other services.
- In addition to making available new and enhanced automated and electronic services, we began to focus on increasing actual usage. We continued to support the President's Management Agenda "Expanded Electronic Government" initiative as well as address the many challenges, including privacy and security, that will enable people and employers to do business with us in an electronic environment.
- We continued to make progress in obtaining online eligibility data from Federal and State agencies, financial institutions, and medical providers. This online access produces the benefits of reducing the burden on the public to provide information, reduces processing time, improves payment accuracy, and promotes one-stop government service.
- We completed our 7-year plan to become current with processing all continuing disability reviews (CDRs) by FY 2002 and established a base from which to remain current in processing that critical workload. CDRs are a key factor in maintaining the integrity of the disability program.
- We continued to build on improvements in SSA's management of the Supplemental Security Income, such as improving our identification and collection of SSI debt. We issued a comprehensive "SSI Corrective Action Plan" to remove the SSI program from the GAO's "high risk" list.
- We realized some benefits in terms of processing times and productivity in the processing of disability claims, hearings and appeals from the success of several short-term initiatives. However, our attempts to significantly reduce backlogs was hindered due to primarily increased receipts and substantial backlogs from prior years.

- We continued to implement the Ticket to Work and Self-Sufficiency program that will help beneficiaries return to work.
- We continued to obtain significant results in our battle against fraud from Office of the Inspector General investigations and other anti-fraud activities.
- We continued to increase public levels of understanding of Social Security programs.
- We continued to provide our current employees with the support they need to continue to be the highly skilled, high performing and highly motivated workforce that is critical to achievement of our core mission. We also continued to address our long term human resource needs as we prepare for the challenges of the next decade.
- We continued to enhance, update, and share information about the value of the Social Security programs and the effects of proposals for change.

During FY 2002, SSA used 69 distinct GPRA performance indicators to manage and track our progress in meeting our long-term strategic plan goals. These measures were established in our FY 2002 Annual Performance Plan and/or, as appropriate, Revised Final FY 2002 Performance Plan. Our performance related to all of the 69 indicators is reported in the “GPRA Performance Results/Individual Performance Indicator Results” section, or in this section as Key Performance Indicators.

For a limited number of performance measures, actual levels of full year performance data are not available as of the publication of this report. For those measures, actual performance for FY 2002 will be reported in the FY 2003 Annual Performance Report.

In addition to GPRA performance indicators, we also tracked a number of budgeted workloads which were processed in FY 2002 in support of our strategic goals. Our performance is reported and discussed for those workloads in the “GPRA Performance Results/Selected Budgeted Workloads in Support of Strategic Goals” section.

Finally, beginning on page 149, we report on two non-GPRA performance commitments, which we established to track our progress in implementing the President’s Management Agenda initiatives.

## **FY 2002 Performance by Strategic Goal**

This section presents a summary discussion of FY 2002 performance for each of SSA’s five strategic goals. We discuss our FY 2002 results and the actions we took during FY 2002 to accomplish the results. We also discuss the impact of actual FY 2002 performance on expected FY 2003 strategies and performance, as well as its contribution to achieving longer-range results.

This section also presents our FY 2002 performance related to selected “key performance indicators”. For each key performance indicator, we compare the target level of performance with the actual level of performance we attained. We describe the activities we undertook in FY 2002 to achieve the results, any relevant factors that affected performance, and the impact on future strategies.

*Strategic Goal: To deliver citizen-centered, world-class service*

Virtually everyone in the nation has or will interact with SSA at some point in their lives. We provide service to individuals at critical junctures in their lives, be it the onset of an unexpected disability, the untimely loss of a spouse or a parent, the inability to meet basic needs as a senior citizen, or exiting the workforce due to retirement. This goal is directed specifically toward the way we deliver service to the people who conduct business with SSA.

SSA's intent is to provide quality, easily-accessible service regardless of contact mode. In defining our performance goals, we look first to the American public to determine what they desire most from our service. We then balance their feedback with necessary resource considerations and other competing mission responsibilities to set our service objectives. We express our outcomes for this goal both in terms of overall public satisfaction and the business results we aim to achieve in response to their needs and preferences. Our efforts in FY 2002 in support of this goal paid off in higher overall public satisfaction and improved access to most of our services.

Our FY 2002 administrative expenses in support of this goal were \$5,930 million, and include our return-to-work efforts as we continued to implement SSA's new Ticket to Work and Self-Sufficiency program.

We strive to develop and use state-of-the-art tools for our electronic and automated services to meet the broad range of needs of the public. Using the power of the Internet, we are providing citizens with better access to SSA, improving service, and meeting increasing service demands. In FY 2002, there were almost 40 million visits to our website, which is 40 percent higher than in FY 2001. Most of our major forms and applications are now available online, including the Internet Social Security Application which is the flagship service that SSA offers and one that has the potential for higher usage and greater return to the Agency.

Through expanding electronic services, SSA continued in FY 2002 to support the President's Management Agenda "Expanded Electronic Government" initiative, as well as address service delivery challenges identified by the General Accounting Office, SSA's Office of Inspector General and the Social Security Advisory Board. With these challenges in mind, our strategy is focused on increased use of our Internet and automated 800 number services by the public. We will make current applications easier for the public to use and will encourage increased usage through a comprehensive plan to market online services. A major challenge is developing the proper level and means of authentication to provide a safe and secure environment for the public to conduct their transactions.

Improving the service we provide in processing of disability claims, hearings and appeals continues to be a challenge. In FY 2002, the timeliness of disability claims improved. Even as hearings productivity improved, processing times increased. At the appeals level, initiatives resulted in an appreciable decrease in the backlog along with a smaller improvement in processing time. However, receipts continue to climb, and the minor improvements we have been able to achieve are not sufficient.

We know that disability receipts will remain high, and that without focusing on taking steps to significantly reduce the backlogs, we cannot reduce processing time and increase productivity to acceptable levels. SSA's new Agency Strategic Plan will spell out the means and strategies to reduce processing time and backlogs.

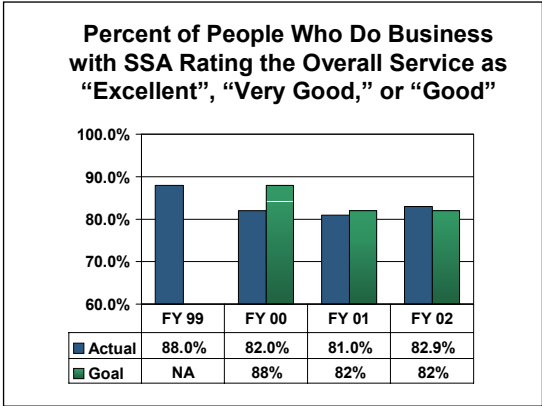
SSA is currently in a transition period. As we acquire and use new technologies expected to make significant service improvements in the long term, we strive to maintain and even improve service levels in the current budget environment, even as public demands and expectations continue to rise. We are confident however, that with the availability of sufficient resources, our efforts will result in improvements in all aspects of our service, both in the near-term and long term.

**Key Performance Indicator 1:**

**FY 2002 Goal: 82 percent**

**Our FY 2002 Performance: 82.9 percent**

We exceeded our goal. The overall public satisfaction rate increased in FY 2002, primarily due to the 800 number service and secondarily field office telephone service. In both instances, the improvement in the overall service rating was accompanied by improvements in the public’s perception of access to services and in employee attribute ratings. We believe that the new call routing system contributed to the improved access perception and influenced this outcome.



As we continue to pursue service improvements to address evolving public expectations, we expect satisfaction levels to remain relatively constant through FY 2003 and 2004.

**Data Definition:** This is the percent of people who call or visit SSA surveyed by SSA’s Office of Quality Assurance and Performance Assessment who rate overall service as “good”, “very good”, or “excellent” on a 6-point scale ranging from “excellent” to “very poor”, divided by the total number of respondents to that question.

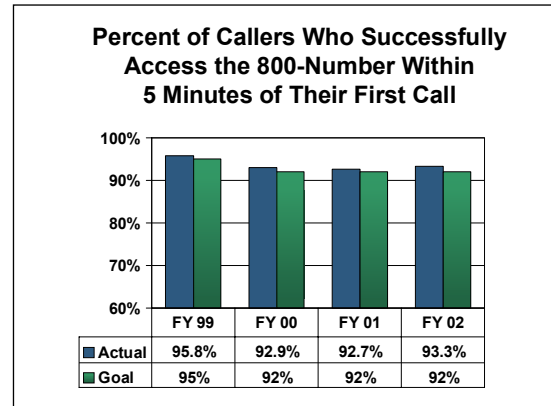
**Data Source:** For FY 1999, the SSA Annual Customer Satisfaction Survey. For FY 2000 and beyond, the Interaction Tracking Surveys that capture public satisfaction shortly after service contacts (either by telephone or in-person) take place.

**Key Performance Indicator 2:**

**FY 2002 Goal: 92 percent**

**Our FY 2002 Performance: 93.3 percent**

We exceeded our goal. A key predictor of overall public satisfaction with SSA’s service is how quickly and efficiently the public gets through to us by telephone. Our ability to provide prompt and hassle-free 800-number access is a challenge in these times of evolving demands and preferences and limited staffing.



In FY 2002, we were able to exceed the 5-minute access goal because of actions taken to improve the efficiency of the 800 number network, including:

- Shifting staff to expand call-answering capacity during times when call volumes are heavier;
- Installing 1,035 additional lines between WorldCom’s equipment and the 800 number answering sites to expand capacity on both inbound and outbound calls;
- Enhancing the availability of services at ssa.gov, causing a reduction in 800 number calls;
- Making adjustments that allowed more callers to go into queue, significantly improving access rates; and
- Balancing queues across the network, so callers are routed to the site with the shortest wait time.

We improved the access rate, using fewer resources, without sacrificing the quality of service provided to citizens. Along with recent improvements in automation, these actions will help the Agency meet the higher FY 2003 5-minute access goal of 94 percent.

**Data Definition:** This is the percent of unique call attempts that successfully “connect” within 5 minutes of the first attempt within a 24-hour period. A successful “connection” occurs when a caller selects either an automated or live agent and is connected with that option within 5 minutes of the first dialing of the 800-number.

**Data Source:** Automatic Number ID records provided by WorldCom.

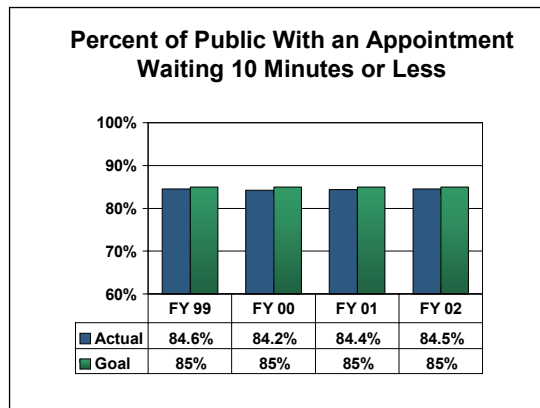
### Key Performance Indicator 3:

**FY 2002 Goal: 85 percent**

**Our FY 2002 Performance: 84.5 percent**

We narrowly missed this goal. SSA tracks and manages the waiting times the public experiences in our field offices because waiting times are a key factor in overall satisfaction ratings.

We focus on reasonable field office waiting times by providing alternative service delivery options. By giving the public more choices in how they access SSA’s services, we can focus field office resources on providing face-to-face service for those with more complex service issues. In addition, field office managers and staff pay attention to assuring that people with appointments are interviewed close to their appointment time.



**Data Definition:** This percent is the number of visitors with an appointment who wait 10 minutes or less, divided by the total number of visitors with an appointment during the study time. Waiting time data are collected from a representative sample of field offices during a 1-hour window, once a quarter.

This indicator will be discontinued in FY 2003 as our performance indicators related to service in support of our new strategic plan will be more focused and outcome-oriented.

**Data Source:** SSA Waiting Time Study. The waiting time study is conducted quarterly in local field offices.

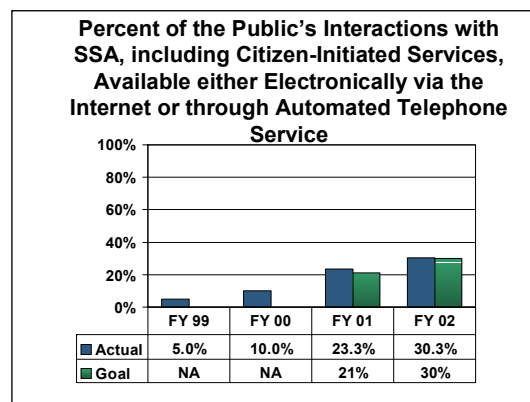
### Key Performance Indicator 4:

**FY 2002 Goal: 30 percent**

**Our FY 2002 Performance: 30.3 percent**

We met our goal. Using the power of the Internet, SSA is providing citizens with better access to SSA, improving service, and meeting increased service demands. We have already placed most of our major forms and applications online. In FY 2002:

- We added application for disability benefits to our existing Internet application for retirement and spouse’s benefits;
- We added an Internet application to gather medical and work history information;



- We made enhancements to include SSI information for individuals who are entitled to both OASDI and SSI and who have a password;
- We enhanced 800 Number service to enable retirement, survivor, and disability beneficiaries with a password to get the date and amount of their next check; and
- We provided the same password protected services via the phone as are available on the Internet so that OASDI beneficiaries can check their date of birth and telephone number on our records, direct deposit information, Medicare information, overpayment information, and additional information about their benefit type or non-payment reason.

This indicator will be discontinued in FY 2003 as our performance indicators related to electronic service in support of our new strategic plan will be outcome-oriented. Specifically, our measures will focus on use of electronic services, not just availability of them.

**Data Definition:** This is the percent of the public’s interactions with SSA that will be available electronically via the Internet or through automated telephone service.

**Data Source:** List of the public’s interactions with SSA, Internet schedule, Internet Site: ssa.gov

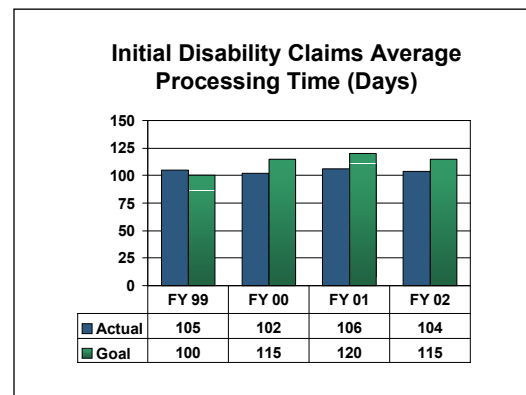
### Key Performance Indicator 5:

**FY 2002 Goal: 115 days**

**Our FY 2002 Performance: 104 days.** We exceeded our goal. We provided additional funding to the State Disability Determination Services (DDSs) for processing claims, which enabled the DDSs to increase case processing capacity. Also, receipts remained high, providing a ready supply of relatively easier, quick-turnaround cases.

**Data Definition:** This is the fiscal year average processing time for DI and SSI claims combined. Processing time is measured from the application date (or protective filing date) to either the date of the denial notice or the date the system completes processing of an award.

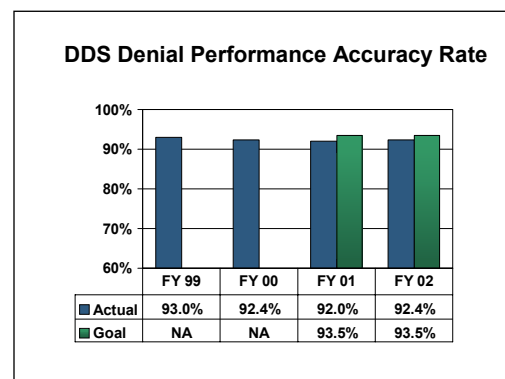
**Data Source:** Title II MIICR Processing Time and Title XVI SSICR Processing Time Systems



### Key Performance Indicator 6:

**FY 2002 Goal: 93.5 percent**

**Our FY 2002 Performance: 92.4 percent.** Although quality did improve from last year, we did not meet this goal. We achieved this improvement as SSA and the DDSs continue to focus on ongoing training that fosters consistent application of laws, regulations and rulings at all stages of the disability adjudication process. The DDSs were under considerable pressure to keep cases moving, and this resulted in less than the required level of development, which impacted accuracy rates. This particularly affected denial accuracy because of the additional documentation requirements that must be met.





This performance indicator will be discontinued in FY 2003 and will be incorporated into a more meaningful performance indicator “DDS net accuracy rate (allowances and denials combined).” Net accuracy is a truer measure of the correctness of DDS decision-making and therefore, provides the public with a more accurate picture of the correctness of initial disability claims decisions. We expect to maintain high levels of adjudication quality.

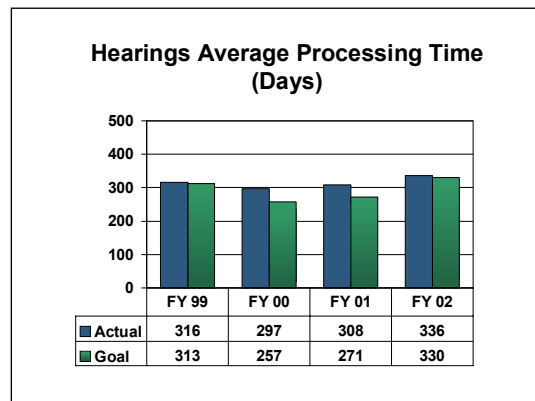
**Data Definition:** The denial accuracy rate is the estimated percentage of initial disability denials that do not have to be returned to the DDSs for development of additional documentation or correction of the disability determination.

**Data Source:** Annual Disability Quality Assurance Reports

**Key Performance Indicator 7:**

**FY 2002 Goal: 330 days**

**Our FY 2002 Performance: 336 days.** We marginally missed this goal because hearing receipts continue to grow increasing already substantial backlogs. We implemented several short-term initiatives this year to improve efficiency and increase productivity. This has allowed us to exceed our target number of dispositions for FY 2002. Despite these improvements processing times have continued to climb. Assuming projected receipts, we expect that FY 2003 processing times will remain high.



**Data Definition:** Beginning FY 2000, this indicator was redefined (from the one included in the FY 1999 APP) to represent the average elapsed time from the hearing request date until the date of the notice of decision, for the hearings level cases processed during all months of the year. The FY 1998 data reflects the average elapsed time of hearings level cases processed only in the last month of the FY (September). The data shown for FY 1999 is a yearly average.

**Data Source:** OHA Monthly Activity Reports and the HOTS

***Strategic Goal: To ensure the integrity of social security programs, with zero tolerance for fraud and abuse***

Ensuring program stewardship is a critical Agency duty to both our beneficiaries and all taxpayers. The people of America who fund the Social Security program through payroll tax contributions and Supplemental Security Income through income tax payments expect and deserve well-managed programs. Taxpayers must be confident that their tax dollars are accurately collected and expended, and beneficiaries must believe that their benefits are correctly paid. This goal reflects SSA’s responsibility to protect taxpayer dollars from losses associated with fraud, abuse and payment error and to otherwise be a good steward of the programs we administer. Our FY 2002 administrative expenses in support of this goal were \$1,789 million.

The overall outcome of this goal is accurate payment of benefits, that is, the right people getting the right payment at the right time. The size and complexity of Social Security programs make it inevitable that some error will occur, so we are committed to preventing, detecting, and collecting, if an overpayment is made. And, while there is no indication of widespread fraud associated with our programs, if and when individuals attempt to obtain benefits fraudulently, we must be vigilant in our efforts to combat such fraud.

In FY 2002, the Agency performed well in this area, meeting or exceeding all of the goals for which we have actual data. For example,

- We worked off our backlog of continuing disability reviews (CDRs), a key factor in maintaining the integrity of the disability program, and established a base from which to remain current.
- Technological advances, continuing encouragement of employers to report wages electronically, and improved services and employer support, contributed to our success this year in achieving and exceeding the goals related to posting earnings and wage items.
- Investigative efforts of our Office of the Inspector General (OIG), and the OIG's cooperation in homeland security projects under the coordination of the Department of Justice resulted in significant increases in the recovery of dollars belonging to SSA's trust funds and in prosecutions of those who defraud the Social Security programs.

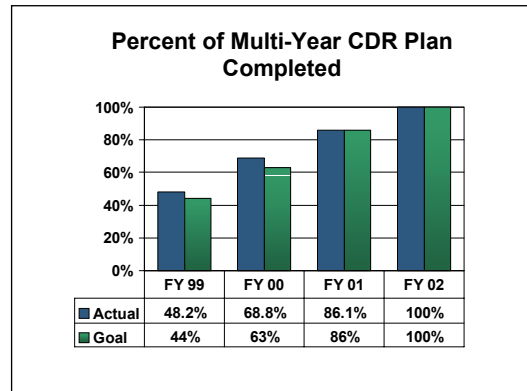
In FY 2002, we continued to build on improvements in SSA's management of the Supplemental Security Income (SSI) program. SSI eligibility and payment amounts are determined by complex and often difficult to verify financial factors that change from month to month. This makes the SSI program particularly vulnerable to erroneous payments and difficult to administer. In 1997, the GAO designated the SSI program as "high risk," citing that "SSA lacked an effective plan to address the level of debt that results from overpayments." SSA has taken many actions over the last several years that have yielded measurable success in detecting and collecting SSI overpayments. In June 2002, SSA issued a comprehensive "SSI Corrective Action Plan" to remove the SSI program from the GAO's "high risk" list. This plan is a roadmap for targeting future efforts to initiatives that have the most potential to yield further improvements across three fronts – improved prevention of overpayments, increased overpayment detection, and increased collection of debt. It outlines the initiatives we intend to pursue, describes the new tools we will provide, and pledges explicit executive accountability for results.

Beyond ensuring that tax dollars are accurately collected and spent, good stewardship demands the effective and efficient use of the resources SSA receives to administer the programs and the protection of information that SSA holds. This goal addresses sound financial management, which is a focus of three areas of the President's Management Agenda "Competitive Sourcing," "Improved Financial Performance" and "Budget and Performance Integration." SSA worked in FY 2002 to support these PMA initiatives, as well as address the challenges identified by the General Accounting Office, SSA's OIG and the Social Security Advisory Board. With these challenges in mind, we are now expanding the focus of this goal to include finding ways to achieve efficiencies that will help to offset the increasing costs of keeping up with our enormous workloads. We are also sharpening our focus on ensuring the security of SSA's information systems and the integrity and privacy of the personal information that SSA maintains.

**Key Performance Indicator 8:**

**FY 2002 Goal: 100 percent**

**Our FY 2002 Performance: 100 percent.** We met our goal. SSA conducts very effective periodic reviews called continuing disability reviews to determine whether individuals receiving disability have medically improved and no longer meet the statutory definition of disability, and therefore should have their disability benefits terminated. SSA’s annual targets for FY 1996 through FY 2002 were set in accordance with our seven-year CDR plan. The goal of that plan was for SSA to process its entire backlog of CDRs by FY 2002, and then to keep current with processing this critical workload. Congress provided special funding to SSA to process our seven-year plan workload. With the seven-year plan’s goal successfully completed, this indicator will be discontinued in FY 2003. Effective FY 2003, SSA’s new indicator and goal will be to complete 100 percent of the CDRs released annually for processing, provided sufficient funding is received.



**Data Definition:** This measure is derived by dividing the cumulative number of CDRs SSA processed from FY 1996, the first year of the CDR multi-year plan, through the current fiscal year, by the total number of CDRs SSA has committed to processing through FY 2002 according to its most recent multi-year CDR plan.

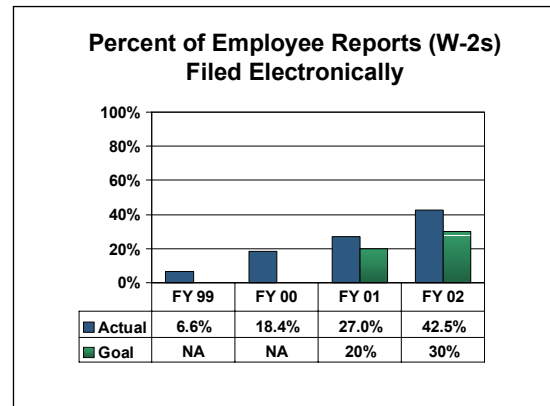
**Data Source:** National DDS System: SSR, MBR, CDR Control File

**Key Performance Indicator 9:**

**FY 2002 Goal: 30 percent**

**Our FY 2002 Performance: 42.5 percent**

We significantly exceeded our goal. SSA has been promoting electronic filing during the past several years in many ways. We have built the systems architecture, which allows both large and small employers to send their wage reports to SSA securely via the Internet. We continue to place emphasis on acquainting employers and software developers with SSA’s electronic filing through outreach activities. These activities are necessary because the conversion to electronic filing is voluntary and not mandatory.



Because we are performing so well this year, we expect to remain on target to meet the 2003 goal of 48 percent of employee reports filed electronically.

For reporting purposes, we use the percentage of actual Forms W-2 received electronically as of the last Friday of September 2002, divided by the actuarial estimate of all Tax Year 2001 Forms W-2s expected. SSA continues to receive and process Forms W-2 for Tax Year 2001 through the end of calendar year 2002.

**Data Definition:** This percent is the number of W-2s filed electronically and processed to completion for a tax year, divided by the total number of W-2s for that tax year processed to completion by the end of the processing year (mid-January).

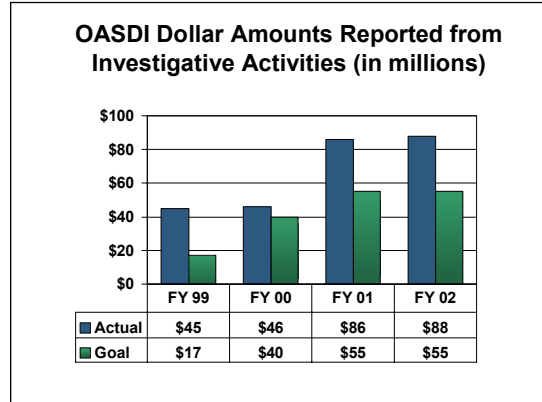
**Data Source:** Earnings Management Information Operational Data Store (EMODS) reports

**Key Performance Indicator 10:**

**FY 2002 Goal: \$55 million**

**Our FY 2002 Performance: \$88 million**

We substantially exceeded the goal. This performance is largely due to the continued success of some national investigative efforts such as the Office of the Inspector General’s (OIG’s) special project on deceased auxiliary beneficiaries. This project focused on deceased widow and widowers of Social Security beneficiaries, who were in current payment status even though a date of death was on SSA records. This cyclical project will end in FY 2002 and will be reinstated every 3 to 4 years.



This indicator will be discontinued in FY 2003.

**Data Definition:** These amounts are OASDI dollars from penalties, assessments, savings, recoveries and restitutions related to investigative activities that are reported by OIG field divisions and included in the OIG semi-annual reports. Beginning in FY 1999, dollar amounts reported are segregated by program.

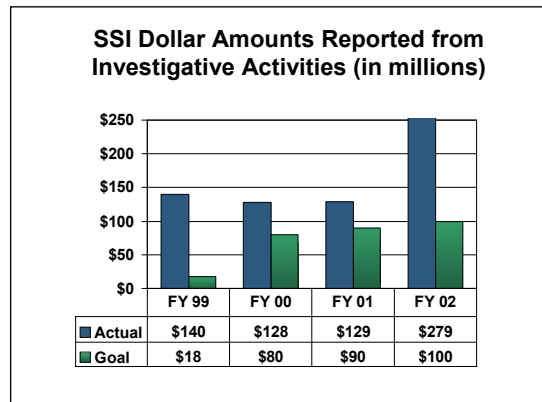
**Data Source:** Allegation and Case Investigative System (ACIS)

**Key Performance Indicator 11:**

**FY 2002 Goal: \$100 million**

**Our FY 2002 Performance: \$279 million**

We substantially exceeded this goal largely due to the expansion of some national investigative efforts such as those associated with the OIG’s fugitive felon program. By working with other Federal, state, and local law enforcement agencies to locate and apprehend wanted felons, the OIG can notify SSA to suspend SSI payments illegally being received by fugitives. In addition, the OIG continues to increase the number of Cooperative Disability Investigation teams in operation each year. These annual increases have contributed to annual rises in dollars reported.



This indicator will be discontinued in FY 2003.

**Data Definition:** These amounts are SSI dollars from penalties, assessments, savings, recoveries and restitutions related to investigative activities that are reported by OIG field divisions and included in the OIG semi-annual reports. Beginning FY 1999, dollar amounts reported are segregated by program.

**Data Source:** Allegation and Case Investigative System (ACIS)

*Strategic Goal: To strengthen public understanding of Social Security programs*

We have a responsibility to the American people to ensure that they understand the benefits available to them under the Social Security programs. An understanding of our programs, the financial value of those programs, and basic financing issues regarding Social Security can help people plan more effectively for their own financial future.

Educating the public about our programs has been, and will continue to be, a priority for this Agency. While facts about the programs are important, the public also needs to better understand the issues, including long-range financing, that Social Security faces. They also need to know practical information about when and how to take advantage of the services that Social Security offers.

Public understanding of Social Security's programs also is a key factor in how satisfied the public is with our service and may actually improve that service. It may lead to increased timely filings for benefits and more complete applications. Increased knowledge could also reduce unnecessary contacts with SSA and increase electronic filings.

Annual surveys continue to show increasing levels of public knowledge of Social Security programs, with FY 2002 continuing that positive trend. Our tools for surveying public knowledge and our plans for increasing public knowledge continue to evolve. In FY 2002, we used an improved, one-time survey tool which gave us not only national knowledge levels, but also local knowledge levels which help SSA managers better serve the needs of the people who live in the area they serve. Beginning in FY 2003, our survey will test public knowledge about basic facts as well as the issues Social Security faces and other important information. We expect the new survey to provide us better information with which to plan and target our public information programs.

Our FY 2002 administrative expenses in support of this goal were \$116 million.

*Strategic Goal: To be an employer that values and invests in each employee*

This strategic goal addresses the Agency's most important asset – the employees of SSA and the State Disability Determination Services. The focus of this goal is to ensure that SSA continues to have the highly skilled, high performing and highly motivated workforce that is critical to achievement of our mission. It also reflects SSA's conviction that employees deserve a professional environment in which their dedication to the SSA mission and to their own goals can flourish together.

SSA's employee retirement wave, already underway, not only will affect our ability to deliver service to the American public, but also will result in a significant drain of SSA's institutional knowledge. SSA and the State Disability Determination Services will be faced with the continuing challenge of hiring and retaining a highly skilled and diverse workforce in what is expected to be a very competitive job market. As SSA deals with explosive workload growth and its own increasing numbers of retirements, we will strive to maintain a high-performing workforce and enhance productivity through automation, training, redistribution of staff to direct service positions, and other service enhancements.

In FY 2002, we continued to provide our current employees with the support they need to continue to be the highly skilled, high performing and highly motivated workforce that is critical to achievement of our core mission. We also continued to address our long term human resource needs as we prepare for the challenges of the next decade. While not all FY 2002 goals were met, we achieved many important milestones. The Agency performed well in the areas of recruitment, training, management development programs and staff development programs. Some initiatives were discontinued due to reallocation of funding to other priorities. In one case, completion of a goal is pending resolution of labor-management concerns.

In FY 2003 and beyond, SSA is continuing to address its human capital challenges in the context of the Agency's new strategic plan and the President's Management Agenda, which directs agencies to make government citizen-centered through the strategic management of human capital. SSA will continue to improve its retention rate for new hires, increase the number of employees in front-line positions, make ongoing job enrichment opportunities and training available to SSA employees, and implement a new performance management system to assure accountability at all levels.

**Key Performance Indicator 12: Continue to implement the SSA Future Workforce Plan**

**FY 2002 Goal: Implement actions by target dates specified in the Agency's Future Workforce Plan, including the following significant actions:**

- **Establish and implement procedures for repaying student loans as a means to recruit and retain employees in hard-to-fill positions;**
- **Develop and produce new recruitment materials; and**
- **Enhance leadership competencies for one-third of SSA supervisors and managers.**

**Our FY 2002 Performance:** This goal was partially met.

SSA has a Future Workforce Transition Plan that states SSA's plan for meeting our workforce needs for the future. The plan includes what we expect to happen in the future, what the effects will be on SSA's workforce needs, and what actions will be taken, including milestones and dates for measuring our progress. For FY 2002, we met two of the significant FY 2002 goals, and made progress but were not able to complete the third goal.

- We developed a Personnel Policy Manual chapter for SSA's Student Loan Repayment Program. Notice was provided to the Union. Bargaining concluded in August without a signed agreement. The parties continue to exchange language. If we cannot reach agreement, we will ask the mediator to declare us at impasse.
- A marketing and recruitment packaged was developed, tested, and implemented in headquarters and across the ten SSA regions.
- SSA held 35 training seminars nationwide and trained one third of SSA's supervisors and managers on leadership competencies in FY 2002.

This "milestone-oriented" performance indicator will be discontinued beginning in FY 2003, as our performance indicators related to human capital will be more outcome-oriented.

**Data Definition:**

**Goal 1:** Self-explanatory.

**Goal 2:** This goal will be met if we develop and produce new recruitment materials for 3 major SSA occupations.

**Goal 3:** This goal will be met if we provide training on leadership competencies to one-third of SSA's supervisors and managers.

***Strategic Goal: To promote valued, strong and responsive social security programs and conduct effective policy development, research and program evaluation***

This strategic goal reflects SSA's responsibility for helping shape the Social Security and Supplemental Security Income programs to adapt to the changing needs of wage earners and beneficiaries. We fulfill this responsibility by preparing statistical information about our programs, evaluating their performance, conducting research and policy analysis, and providing findings and options to individuals and entities that are involved in policy development. These users include the Administration, the Congress, and policy analysts inside and outside government.

In FY 2002, SSA continued to provide timely and useful research and analysis in support of our mission to promote the economic security of the nation's people. Notably, the Agency updated its barometer measures and provided analyses of options for modernizing and strengthening Social Security to meet future economic and demographic challenges.

SSA met all targets under this goal in FY 2002. In support of this goal, the Agency devoted \$25 million of its FY 2002 administrative budget to research, evaluation, statistical activities, and policy analysis and another \$30 million to extramural research.

Beginning FY 2003, and in accordance with our new strategic plan, nine of the ten performance indicators under the current goal to promote valued, strong, and responsive social security programs will be discontinued. Most of the work under these indicators will continue and will be tracked through internal reporting systems.

**Key Performance Indicator 13: Identification, development and utilization of appropriate barometer measures for assessing the effectiveness of Old-Age, Survivors and Disability Insurance (OASDI) programs**

**FY 2002 Goal: Update the barometer measures and prepare analysis**

**Our FY 2002 Performance:** We met our goal.

SSA has developed a set of barometer measures that provide valuable information on program coverage and eligibility, benefit adequacy and equity, reliance on Social Security benefits, return to work among beneficiaries with disabilities, and private provision for retirement. These measures and accompanying analysis are published in the section on GPRA Performance Results in this report beginning on page 150.

The FY 2000 and FY 2001 reports presented the barometer measures for the current year only. This year we have begun to present the barometers as a time series. We have made a number of modifications to the measures to accommodate the time-series format, and to improve the accuracy and consistency of the measures.

We are using the barometer measures to help identify areas where our programs may be strengthened. For example, the barometers confirm the need to strengthen work opportunities for disabled beneficiaries, and return-to-work will continue to be a major focus of our research, demonstration projects and policy development activities.

As this indicator is process-oriented, it will be discontinued in FY 2003. However, we will continue to update and publish the barometer measures.

**Data Definition:** Self-explanatory.

**Data Source:** Master Beneficiary Record, Supplemental Security Record, Continuous Work History Sample, Current Population Survey, Survey of Income and Program Participation, Survey of Consumer Finances

**Key Performance Indicator 14: Preparation of research and policy analyses necessary to assist the Administration and Congress in developing proposals to reform and modernize the OASDI programs**

**FY 2002 Goal:** Prepare analyses on the distributional and fiscal effects of reform proposals developed by policymakers

**Our FY 2002 Performance:** We met our goal.

We met our goal by providing data and analyses related to Social Security reform. For example:

- We evaluated the distributional impact of increasing the widow's benefit option in combination with various reductions in spousal benefits.
- We analyzed the effects of changing the computation years in the social security benefit formula from 35 to 38 years.

In FY 2003, we will continue to provide research and develop analytical papers to support the Administration and Congress in developing legislative proposals to ensure sustainable solvency for Social Security and disability programs.

**Data Definition:** We will consider this goal to be achieved if we prepare analyses providing information about the effect of specific reform proposals on various populations, the long-term actuarial balance of OASDI programs, and the economy of the United States.

## Data Quality

General Discussion: SSA is committed to providing data that is valid and reliable to those who use it for decisionmaking. We continuously improve the data clarity and credibility of performance data for all our mission-critical areas. We do this through effective, internal SSA management and by being responsive to insights provided by external entities such as the General Accounting Office (GAO) and SSA's Office of the Inspector General (OIG).

Program Performance Report: This Annual Performance Report (APR) displays the data definitions and data sources for each of our performance measures and discloses identified data weaknesses and SSA's efforts to correct/address such weaknesses. Where we could not define performance goals for indicators in an objective/quantifiable form, we established descriptive statements to tell how we considered the goal to be achieved. While the majority of our data sources are internal to SSA, the OIG and the GAO audit and evaluate the validity and credibility of our data. Such reviews and assessments ensure that our systems are secure and not vulnerable to manipulation by intruders, and confirm our confidence in the reliability of our performance data. Highlights from these reviews, as well as other security reviews are discussed below.

SSA Data Integrity Systems and Controls: Performance data for our Annual Performance Plan's (APP) quantifiable measures, including the budgeted output measures, are generated by automated management information and workload measurement systems, as a by-product of routine operations. The performance data for several process accuracy and public satisfaction indicators comes from surveys and workload samples designed to achieve very high levels (usually 95 percent confidence level) of statistical validity. Our Office of Quality Assurance and Performance Assessment reviews a stratified sample of recently completed actions and of ongoing entitlement rolls to determine the accuracy of SSA payments and service transactions. These reviews are initiated just after the close of each fiscal year. Quality assessment reviews require that each selected case be redeveloped. Assessment results are entered into a database, validated, analyzed, and a final report is then prepared. This process generally takes about 9 – 12 months to complete, so availability of actual data on accuracy measures is delayed and is generally reported in a subsequent year's Annual Performance Report.



Audit of the Social Security Administration's FY 2001 Financial Statements: In accordance with the Chief Financial Officer's Act of 1990, SSA's financial statements were independently audited by PricewaterhouseCoopers LLP (PwC). The objective of this audit was to determine whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. PwC reported that SSA's assertion that its systems of accounting and internal control are in compliance with the statutory internal control objectives is fairly stated in all material respects. In addition, PwC also reported that, with respect to internal controls related to those performance measures determined by management to be key and included in the FY 2001 Performance and Accountability Report, PwC obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02.

Role of the Office of the Inspector General (OIG): The OIG plays a key role in assuring that our data systems for measuring performance are reliable. They evaluate the processes and systems being used to measure progress in each measured area, so as to assure that they provide reasonable assessments of performance. In FY 2001, the OIG reviewed the performance measures in our FY 2000 APR and FY 2001 APP. They reported that "SSA's FY 2001 APP represents SSA's strong commitment and evolving progress to meet the objectives of "Government Performance and Results Act (GPRA). The APP responds to many of the criticisms about previous plans."

We take appropriate action to correct any performance measure deficiencies reported in OIG audit findings. These actions may include disclosure of data limitations or weaknesses, changes in performance measures, improvements to or additions of data collection systems, or some combination thereof.

The OIG uses a four-point approach to reviewing our performance measures. They are:

1. Assess SSA's system capacity to produce performance data;
2. Assess whether reported performance measure data is valid;
3. Ensure that SSA has the appropriate measures to indicate the vitality of its programs; and
4. Ensure that the performance measures fully capture the program segments that they are intended to capture.

We enjoy a collaborative relationship with the OIG and are able to assist the OIG in developing audit plans covering SSA's GPRA measures that are mutually beneficial.

General Accounting Office (GAO) Reviews: The "Social Security Administration: Status of Achieving Key Outcomes and Addressing Major Management Challenges" document is the GAO's assessment of our FY 2002 APP and FY 2000 APR. This report focused on our progress in achieving five key outcomes:

1. Providing timely, accurate, and useful information and services to the public;
2. Making disability determinations more timely and accurately;
3. Reducing long-term disability benefits because people return to work;
4. Providing timely information to decisionmakers to address program policy issues such as long-term trust fund solvency; and
5. Reducing fraud, waste, and error in the Supplemental Security Income program.

The GAO found that: "SSA's current strategies generally provide a clear picture of its future plans to achieve the five key outcomes". Additionally, the GAO noted that we added baseline data, definitions, and data sources for our major budgeted workloads, and an appendix that illustrated planned program evaluations for Strategic Goals.

One of the Commissioner's priorities is to improve our responsiveness to recommendations from the OIG and the GAO. SSA is currently performing a comprehensive review of all audit recommendations and will either implement them or provide a rationale for not implementing them.

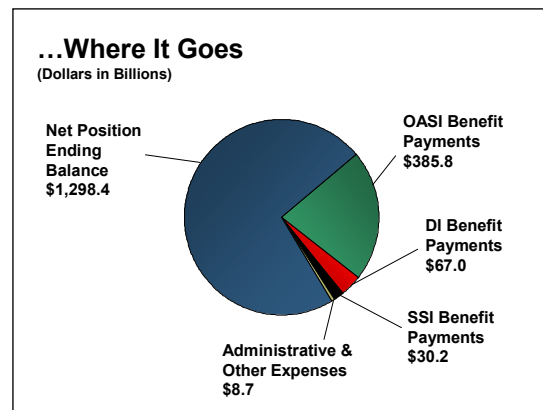
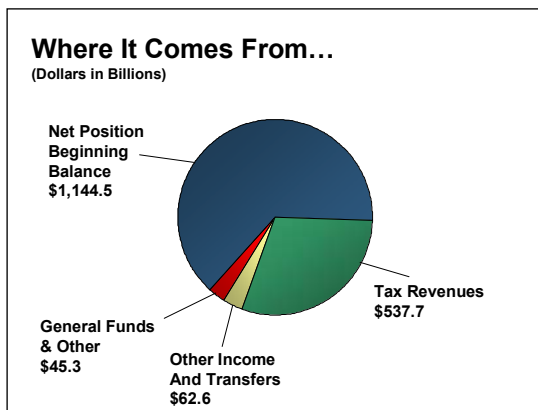
# Highlights of SSA's Financial Position

## Overview of Financial Data

SSA's financial statements and footnotes appear on pages 51 through 71. The results for FY 2001 were restated to incorporate an FY 2002 change in accounting principles and to maintain comparability between two years. The financial statements presented in this report can be considered complete and reliable as evidenced by the unqualified opinion the financial statements received from the independent audit firm of PricewaterhouseCoopers LLP. These statements combined the results from the program administered by SSA. The 2 key programs are OASDI and SSI. OASDI is composed of the OASI and DI programs. OASI and DI have separate trust funds which are financed by payroll taxes, interest on trust fund investments and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury.

**Balance Sheet:** The Balance Sheet displayed on page 51 reflects total assets of \$1,358.5 billion, a 13 percent increase over the previous year. Approximately 98 percent of assets are investments. These investments are commonly known as the Social Security Trust Funds. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. The \$159.1 billion growth (13.6 percent) in investments from 2001 is primarily due to tax revenues of \$537.7 billion and interest on those investments of \$78.6 billion, exceeding cost of operations of \$491.4 billion. The majority of our liabilities, 79 percent, consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Liabilities grew in 2002 by \$5.9 billion (10.9 percent) primarily because of the growth in benefits due and payable. Reflecting the higher growth in assets than liabilities, the net position grew \$153.9 billion or 13.4 percent to \$1,298.4 billion.

**Statements of Net Cost and Changes in Net Position:** The following charts summarize the activity on SSA's Statement of Net Cost and Statement of Changes in Net Position by showing the funds SSA was provided in FY 2002 and how these funds were used. These statements are displayed on pages 52 and 53, respectively. Most resources available to SSA were used to finance current OASDI benefits and to accumulate reserves to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, investments are redeemed to supply cash to cover the outlays. Administrative expenses shown, as a percent of benefit expenses, is 1.7 percent.



Total financing sources grew by \$21.1 billion or 3.4 percent from \$626.9 billion in 2001 to \$648.0 billion in 2002. The primary sources for this growth were a tax revenue increase of \$9.5 billion (1.8 percent) from 2001 and investment income of \$7.7 billion (10.8 percent) from 2001. Increasing investments more than compensated for the drop in average returns of 6.76 percent in 2001 to 6.52 percent in 2002.

Net cost of operations increased \$27.8 billion or 6.0 percent from \$463.6 billion in 2001 to \$491.4 billion in 2002. Net cost of the OASI program grew 4.5 percent, DI program 13.1 percent and SSI program 10.1 percent. The large growth in cost of the DI and SSI programs in 2002 was primarily the result of growth of new beneficiaries due to more individuals becoming eligible for benefits. Included in these 2002 costs were \$8.3 billion in operating costs, a 13.1 percent increase, reflecting the significant growth in the SSI and DI programs.

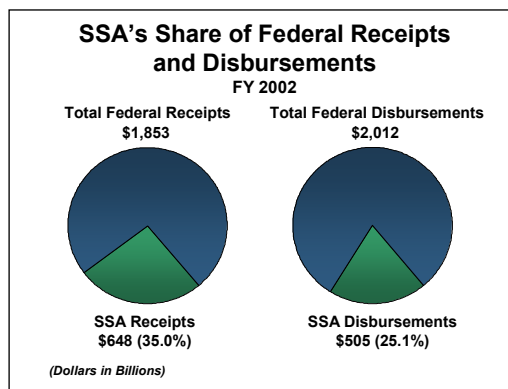
**Statement of Budgetary Resources:** This statement provides information about the provision of budgetary resources and their status as of the end of the period. This statement displayed on page 54 shows that SSA had \$522.1 billion in budgetary resources of which \$0.8 billion remained unobligated at year-end. SSA recorded total outlays of \$488.6 billion by the end of the year. Budgetary resources grew \$21.9 billion, or 4.4 percent from 2001, while outlays increased \$26.1 billion, or 5.7 percent.

**Statement of Financing:** This statement demonstrates the relationship between an entity’s budgetary and proprietary accounting information. It reconciles “Total resources used to finance activities,” an expression of budgetary spending, with the “Net cost of operations,” the proprietary expenses of the Agency.

The statement displayed on page 55 identifies \$493.5 billion in budgetary spending for FY 2002, an increase of \$21.1 billion over last year. This total is offset by \$2 billion in resources not part of the net cost of operations, and \$0.1 billion in components of net cost of operations that will not require or generate resources in the current period. The resulting balance reflects a \$491.4 billion net cost of operations for the year, an increase of \$27.8 billion over FY 2001.

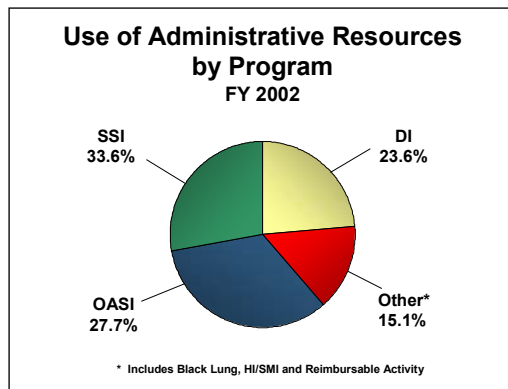
**SSA’s Share of Federal Operations**

The programs administered by SSA constitute a large share of the total receipts and disbursements of the Federal Government as shown in the chart to the right. Receipts for our programs represented 35.0 percent of the \$1.9 trillion in total Federal receipts, an increase of 3.9 percent over last year. Disbursements decreased by 1.4 percent to 25.1 percent of Federal disbursements. However, this still accounted for 5.3 percent of the nation’s estimated FY 2002 \$9.5 trillion gross domestic product.

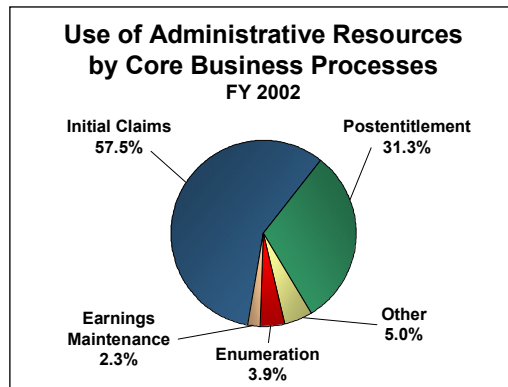


**Use of Administrative Resources**

The chart to the right displays the use of administrative resources for FY 2002 in terms of the programs SSA administers or supports. Although the DI and SSI programs comprise only 20 percent of the total benefit payments made by SSA, they consume over 57 percent of annual administrative resources. Claims for DI and SSI disability benefits are processed through State Disability Determination Services where a decision is rendered on whether the claimant is disabled. In addition, the Agency is required to perform continuing disability reviews on many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2001 use of administrative resources by program was 29.6 percent for the OASI program, 23.9 percent for the DI program, 30.8 percent for the SSI program and 15.7 percent for Other.



The Agency's administrative resources can also be discussed in terms of the work functions being performed in support of our programs. The chart to the right shows the percentage of resources consumed by SSA's five core business processes for FY 2002. The FY 2001 use of administrative resources by core business processes was 56.7 percent for Initial Claims, 32.2 percent for Postentitlement, 2.4 percent for Earnings Maintenance, 4.1 percent for Enumeration and 4.6 percent for Other.



## Trust Fund Solvency

### Pay-as-you-go-Financing

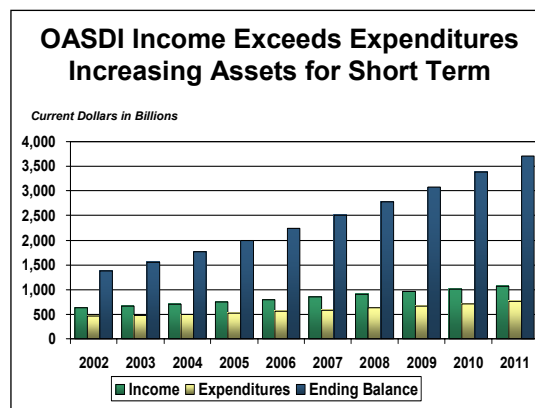
The Social Security Trust Funds are deemed to be adequately financed on a pay-as-you-go basis if assets for each year (including current income and Trust Fund holdings) are sufficient to finance outlays. Such adequacy is reflected in the maintenance of a positive Trust Fund balance. The following table shows that the number of months of expenditures that combined year end OASDI assets can pay has grown from 22.5 months at the end of FY 1998 to 33.6 months at the end of FY 2002, a 49 percent increase.

Number of Months of Expenditures Year End Assets Can Pay (End of FY)					
	1998	1999	2000	2001	2002 <sup>1</sup>
<b>OASI</b>	23.2	25.9	28.7	31.8	35.0
<b>DI</b>	17.7	19.9	22.8	23.6	25.6
<b>Combined</b>	22.5	25.1	27.9	30.6	33.6

1. Estimates are based on 2002 Trustees Report intermediate assumptions.

### Short Term Financing

The Social Security Trust Fund is deemed adequately financed for the short term when actuarial estimates of assets meet or exceed outlay estimates in each year of the next decade. Estimates in the 2002 Trustees Report indicate that the Social Security Trust Fund is adequately financed over the next 10 years. The graph shows that while combined OASDI expenditures and income are expected to increase by 63 and 72 percent, respectively, over the 10-year period, Trust Fund assets are expected to grow by 170 percent to \$3.7 trillion.



### Long Term Financing

Social Security's financing is not sustainable over the long term, which is defined as the 75 years' projections in the Trustees Report. By 2017, benefit payments will exceed tax revenues, and, by 2041, the Trust Fund will be exhausted according to the projections by Social Security's Chief Actuary. The primary reason for this unsustainable solvency is the changing demographics of the United States: baby boomers approaching retirement,

retirees living longer, and birth below population replacement rates. In present value terms, the 75 year shortfall is \$3.3 trillion, which is a \$193 billion increase from the 2001 estimate. Possible reform alternatives being discussed -- singularly or in combination with each other -- are (1) increasing payroll taxes, (2) decreasing benefits, (3) using general revenues or (4) prefunding future benefits through either personal savings accounts or direct investments of the trust funds.

Pages 22 and 23 provide additional discussion of the long term solvency of the OASDI Trust Fund. Pages 77 through 94 include the disclosures required by Federal Accounting Standards Advisory Board Statement 17, Accounting for Social Insurance.

## **Limitation on Financial Statements**

The principal financial statements beginning on page 51 have been prepared to report the financial position and results of operations of SSA, pursuant to the requirements of 31 U.S.C. 3515 (b).

While the statements have been prepared from the books and records of SSA in accordance with generally accepted accounting principles (GAAP) 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.

# Systems and Controls

## Federal Managers' Financial Integrity Act (FMFIA)

### Federal Managers' Financial Integrity Act (FMFIA) Program

The Social Security Administration (SSA) has a well established agencywide management control and financial management systems program as required by FMFIA. The Agency accomplishes the objectives of the program by:

- Integrating management controls into its business processes and financial management systems at all organizational levels;
- Reviewing its management controls and financial management systems controls on a regularly recurring basis; and,
- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

Agency managers are responsible for ensuring that effective controls are implemented in their areas of responsibilities. At the senior manager level, the Agency's Executive Internal Control (EIC) Committee ensures SSA compliance with the requirements of FMFIA and other related legislative and regulatory requirements. The Committee provides executive oversight of the management control program, addresses management control issues that have a substantial impact upon the Agency's mission, monitors the progress of actions to correct management control weaknesses, ensures SSA's critical infrastructure is protected and ensures the Agency has a viable continuity of operations plan.

Effective internal controls are incorporated into the Agency's business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls and the new or changed processes and systems are reviewed by management to certify that the controls are in place. The controls are then tested prior to full implementation to ensure they are effective.

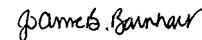
The controls of the new or changed processes or systems are monitored to ensure they remain effective. Management control issues and weaknesses are identified through audits, reviews, studies and observation of daily operations. SSA conducts internal reviews of management and systems security controls in its administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of the Agency's operations and systems to provide an overall assurance that the Agency's business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA, the Computer Security Act and Office of Management and Budget (OMB) Circulars A-123, A-127 and A-130. The reviews encompass SSA's business processes such as enumeration, earnings, claims and postentitlement events, debt management and SSA's financial management systems. SSA develops and implements corrective action plans for weaknesses found through the reviews and audits and tracks the corrective actions until the weaknesses are corrected.

### Management Control Review Program

SSA has an agencywide review program for management controls in its administrative and programmatic processes. The Agency requires that a minimum of 10 percent of field offices (FO) be reviewed each FY. The FOs are chosen for review by considering performance measures in selected critical processes and by using the experience and

### FMFIA Assurance Statement Fiscal Year 2002

On the basis of SSA's comprehensive management control program, I am pleased to certify, with reasonable assurance, that SSA's systems of accounting and internal controls are in compliance with the internal control objectives in Office of Management and Budget Bulletin Number 01-02. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.



Commissioner

judgement of the regional security personnel. During FY 2002, SSA's managers and contractors conducted reviews of over 1,700 management control areas in 200 FOs and staff components.

SSA contracted with an independent public accounting firm to review the Agency's management control program, evaluate the effectiveness of the program and make recommendations for improvement. During FYs 1999-2002, the contractor reviewed operations at SSA's central office, processing centers, all 10 Regional Offices (RO), 130 FOs and 5 Program Service Center (PSC). The contractor's efforts to date have indicated that SSA's management control review program appears to be effective in meeting management's expectations for compliance with Federal requirements. The contractor did not find any significant weaknesses during that 4-year period.

### **Financial Management Systems (FMS) Review Program**

OMB Circular A-127 requires agencies to maintain an FMS inventory and to conduct reviews to ensure FMS requirements are met. In addition to financial systems, SSA also includes all major programmatic systems in this FMS inventory. Within a 5-year period, SSA conducts both a detailed review and a limited review of each system. An independent contractor conducts the detailed review at audit level standards including transaction testing and the system manager conducts the limited review.

During FY 2002, SSA's contractor conducted detailed reviews of the Supplemental Security Income Record Maintenance System and the SSA Streamlined Acquisition System. The contractor also did a management study of requirements for the planned Modernized Cost Analysis System. The systems managers conducted limited reviews of the Retirement, Survivors and Disability Income Accounting System, the Cost Analysis System and the Property Accountability System. The results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with law, Federal regulations or Federal standards.

### **FMFIA Material Weakness**

During FY 2002, SSA completed the last in a series of projects necessary to clear an FMFIA material weakness relating to the accuracy of accounting records for Supplemental Security Income (SSI) program overpayments and underpayments. SSA did not declare any new material weaknesses under FMFIA during FY 2002.

During FY 2002, SSA validated a third release of the SSI Modernized Overpayment and Underpayment Reporting System (MOURS) to verify the software's effectiveness and subsequently implemented the release. MOURS Release 3 reports debts referred to the Department of Treasury (DT) for offset and allows SSA to furnish DT a complete SF 220.9, Report on Receivables Due from the Public, for SSI accounts receivable.

SSA also completed a corrective action review (CAR) of two projects previously implemented to address the material weakness. These projects involved (1) establishing new online screens to accurately input overpayment and underpayment transactions to records and (2) implementing MOURS Release 2, which provided most of the information for the SF 220.9 report. An independent public accounting firm conducted this review and concluded that, in relation to SSA systems requirements, SSA implemented these projects as intended. SSA is conducting a final CAR in FY 2003 on MOURS Release 3. Based on a series of seven key projects implemented over the last five years, two CAR reports issued on five completed projects, SSA's validation work on MOURS Release 3, and the recommendation of SSA's EIC Committee, the Commissioner declared the material weakness corrected.

## **Federal Financial Management Improvement Act (FFMIA)**

On June 14, 2002, the Commissioner of Social Security determined that SSA's financial management systems were in substantial compliance with FFMIA for FY 2001. In making this determination, she considered all the information available, including the auditor's opinion on the Agency's FY 2001 financial statements, the report on management's assertion about the effectiveness of internal controls and the report on compliance with laws and regulations. She also considered the results of the financial management systems reviews and management control reviews conducted by the Agency and its independent contractor and the progress made in addressing the

weaknesses identified in the audit and review reports. That progress is discussed in the section below entitled “Financial Statement Audit.”

Under Section 803(c)(2) of FFMIA, the determination for FY 2002 shall be made no later than 120 days after the earlier of (A) the date of receipt of an agencywide audited financial statement or (B) the last day of the fiscal year following the year covered by such statement. We expect to receive the management letter report(s) for FY 2002 in March 2003.

## **Government Information Security Reform Act (GISRA)**

SSA has completed its annual review of its Information Security Program for FY 2002 as required by GISRA. This report is based on an annual program review completed by SSA and an independent evaluation by the Office of the Inspector General (OIG). For its GISRA assessment, SSA used the National Institute of Standards and Technology (NIST) Self-Assessment Guide for Information Technology Systems. SSA used in-house staff as well as an independent public accounting firm to complete its independent program review. The contract task involved review of the assessment instrument completed by SSA, review of supporting documents provided, and interviews with SSA staff responsible for respective portions of the questionnaire.

In its report, the contractor concurred with the results of SSA’s self-assessment and stated that “the team continues to be quite impressed with the administrative quality, organizational integration, and technical strength of SSA’s security program.” They also said: “The SSA security program is well conceived, designed with an appreciation for risk management, and fully integrated into daily business processes.”

The independent review by the SSA Inspector General (IG) noted that “while SSA met the general Security Act requirements and has made improvements over the past year, there are still opportunities for the Agency to strengthen its information security framework to ensure full compliance with the Security Act.” The IG stated that “SSA continues to demonstrate its commitment as a leader in the area of Federal information protection”. The auditor also offered suggestions for improvement and SSA will continue to work with the auditors to strengthen its security program.

## **Financial Statement Audit**

The OIG contracted for the audit of SSA’s financial statements for the last 6 years. Each year the auditor found that the principal financial statements were fairly stated in all material respects and issued an unqualified opinion. The auditor also found management’s assertion that SSA’s systems of accounting and internal controls were in compliance with OMB’s internal control objectives to be fairly stated in all material respects. Although the auditor identified a reportable condition involving internal controls in FY 2002, it was not identified as material weakness as defined by the American Institute of Certified Public Accountants and OMB Bulletin No. 01-02.

The reportable condition read “SSA needs to further strengthen controls to protect its information.” The auditor indicated that SSA had made notable progress in addressing information protection issues raised in prior years and particularly noted that SSA had issued risk models to standardize platform security configurations, established monitoring tools for enforcement of standards, improved firewall controls, implemented a program to monitor and control system user access requirements, established procedures for enhanced review of security violations on the mainframe and strengthened physical security controls in SSA’s field activities. The auditor acknowledged that SSA had implemented policies and procedures to strengthen its security program and that the emphasis on the next year’s audit would be to ensure that the program was adequately monitored to ensure compliance. SSA will continue to strengthen the protection of data by implementing the auditor’s recommendations on a timely basis.