

# OTHER REPORTING REQUIREMENTS

## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit						
Audit Opinion	Unqualified					
Restatement	No					
	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
Material Weaknesses	0	0	0	0	0	
Total Material Weaknesses	0	0	0	0	0	
Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Non-Conformances	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

## ANTI-FRAUD ACTIVITIES

SSA is committed to improving financial management by preventing fraudulent and improper payments (see the *Agency Challenges* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases 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. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

### DISABILITY QUALITY ASSURANCE REVIEWS

SSA performs quality assurance reviews of random samples of DDS determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the State DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Review					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.2%	96.4%	96.3%	96.3%	96.9%
No. of cases reviewed	39,066	40,323	37,101	35,433	33,329
No. of cases returned to the DDSs due to error or inadequate documentation	1,499	1,454	1,389	1,326	1,028

**TITLE II PREEFFECTUATION REVIEWS**

SSA also performs preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. SSA also reviews a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 96 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow or continue not returned to the DDSs for correction	96.2%	96.3%	95.9%	96.0%	96.3%
No. of cases reviewed	318,505	334,774	328,189	305,233	307,878
No. of cases returned to the DDSs due to error or inadequate documentation	12,090	12,498	13,338	12,118	11,258

**TITLE XVI PREEFFECTUATION REVIEWS**

Following recently enacted legislation, SSA began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. Although the review began midway through FY 2006, FY 2007 is the first full year of review. As in Title II cases, SSA also uses a profiling system to select cases for review. The following table shows that over 97 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
% of State DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	N/A	N/A	97.4%
No. of cases reviewed	N/A	N/A	N/A	N/A	80,784
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	N/A	N/A	2,124

**CONTINUING DISABILITY REVIEWS (CDRs)**

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA's records. SSA also conducts a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Overall Accuracy	94.2%	94.7%	94.9%	93.5%	95.6%
Continuance Accuracy	94.4%	95.0%	95.3%	93.8%	96.4%
Cessation Accuracy	93.5%	93.0%	93.3%	92.4%	93.5%

### **OASI AND SSI QUALITY ASSURANCE REVIEWS**

One of SSA's four *Government Performance and Results Act* strategic goals is 'to ensure superior stewardship of Social Security programs and resources'. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 72-73 and 74-75.

### **SSI REDETERMINATIONS**

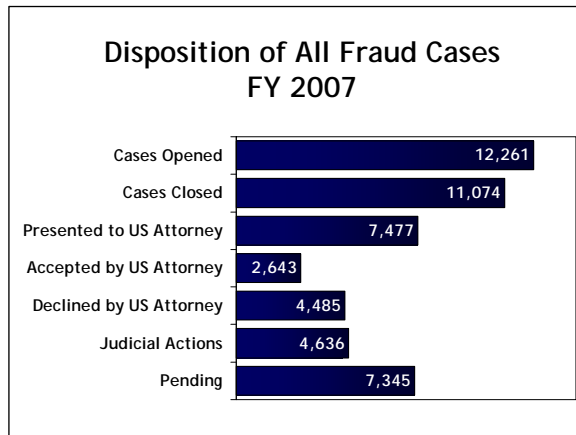
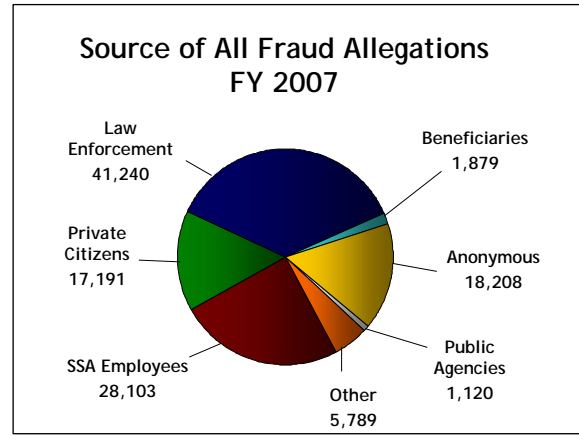
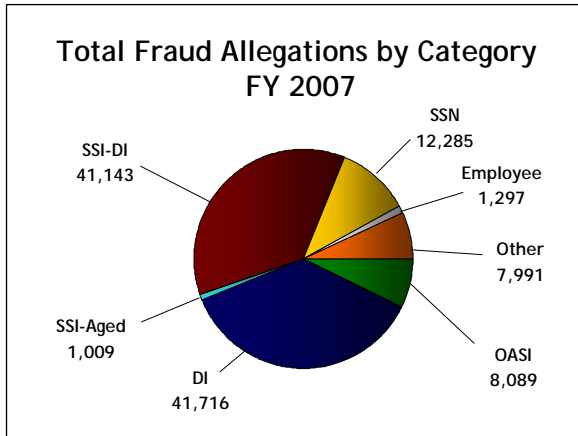
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA set a goal for the number of SSI redeterminations to be processed in FY 2007. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on page 70.

### **PAYMENT SAFEGUARDS ACTIVITIES**

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested over \$877 million in processing over 7.8 million alerts in FY 2006. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of over \$5.7 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2007 results of these payment safeguard activities will be available in 2008.

**THE OFFICE OF THE INSPECTOR GENERAL’S (OIG) ANTI-FRAUD ACTIVITIES**

In FY 2007, as part of its fraud detection and prevention program for safeguarding the Agency’s assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The charts below summarize OIG’s involvement in fraud activities throughout the FY.



**BIENNIAL REVIEW OF USER FEE CHARGES**

**SUMMARY OF FEES**

User fee revenues of \$290 and \$284 million in FY 2006 and FY 2007, respectively, accounted for less than 1 percent of SSA’s total financing sources. Over 86 percent of user fee revenues are derived from agreements with 23 States and the District of Columbia to administer some or all of the States’ supplemental SSI benefits. During FY 2007, SSA charged a fee of \$9.69 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$9.95 for FY 2008. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges 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. SSA's review of fees during FY 2006 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. SSA is planning to perform a review of these fees during FY 2008.

## **DEBT MANAGEMENT**

During FY 2007, SSA continued its comprehensive debt collection program. SSA employs its own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. SSA's internal debt collection methods include benefit withholding to collect overpayments from monthly benefits when the person is still on the rolls. In FY 2007, SSA collected \$2.49 billion in overpayments by this method.

When the person is no longer on the rolls, SSA uses its own billing and follow-up system to collect overpayments. Using that system, SSA sends a series of progressively stronger notices requesting repayment and makes telephone calls to negotiate repayment. The Agency collects several hundred million dollars a year by this method. In addition, SSA used the following aggressive debt collection tools authorized for the Agency:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund.
- Administrative Offset which is the collection of a delinquent debt from a Federal payment other than a tax refund.
- Cross Program Recovery which is the collection of a former SSI recipient's debt from any Old-Age, Survivors and Disability Insurance (OASDI) benefits or the collection of an OASDI debt from an SSI underpayment due that person.
- Credit Bureau Reporting which acts as an incentive for individuals to repay their delinquent debts, or face the consequences of a bad credit report.
- Administrative Wage Garnishment which is the collection of delinquent debts from the wages of overpaid individuals.
- Non-Entitled Debtors which collects overpayments made to representative payees after the death of the beneficiary.
- Federal Salary Offset which is the collection of delinquent SSA debts from the salary of overpaid Federal government employees.

These tools continue to demonstrate their significance in the collection of delinquent program debt. In FY 2007, SSA surpassed cumulative collections of \$1.3 billion as a result of the use of tax refund offset and administrative offset since 1992. In FY 2007 alone, SSA collected over \$149 million as a result of the Treasury Offset Program. Since implementation of mandatory Cross Program Recovery in February 2002, SSA has collected over \$342 million by that method.

In FY 2007, SSA expanded the Non-Entitled Debtors (NED) initiative. NED is a system that manages overpayments and other debts owed by individuals who are not entitled to OASDI benefits or SSI payments. The NED initiative is being developed in a series of releases, each targeting a different group of debts. The initial phase of the NED system, implemented in November 2005, controls prospective overpayments made to representative payees after the death of Title II beneficiaries. The second phase of the NED system, implemented in July 2007, controls existing overpayments made to representative payees after the death of the Title II beneficiaries.

Also in FY 2007, SSA further expanded its uses of Cross Program Recovery (CPR). In August 2007, SSA expanded the CPR initiative to allow for the collection of an OASDI debt from an SSI underpayment.

Future plans include further expansion of the NED and CPR programs as well as an assessment of the feasibility of utilizing additional debt collection tools such as administrative fees, interest charging/penalties and private collection agencies.

In addition, SSA continues to use the system developed in FY 2002 to analyze and monitor its debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. SSA recognizes that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. SSA has underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the Performance Section only includes legally defined overpayments in which beneficiaries have certain due process rights.

<b>FY 2007 Quarterly Debt Management Activities (In Millions)</b>				
	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
Total receivables (cumulative)	\$14,022.5	\$13,856.0	\$13,714.4	\$14,253.4
Total collections (cumulative)	(1,231.8)	(1,427.7)	(2,124.1)	(2,892.7)
Total write-offs (cumulative)	(246.4)	(469.2)	(730.4)	(986.1)
TOP collections (cumulative)	(2.4)	(45.3)	(68.3)	(71.3)
<b>Agging schedule of delinquent debts:</b>				
- 180 days or less	1,111.7	972.2	983.7	1,014.7
- 181 days to 10 years	2,316.8	2,367.9	2,349.0	2,413.9
- Over 10 years	70.1	66.0	76.3	80.8
- Total delinquent debt	\$3,498.6	\$3,406.1	\$3,409.0	\$3,509.4

SSA Debt Management Activities					
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Total debt outstanding end of FY (millions)	\$13,418.4	\$12,260.2	\$13,154.8	\$13,662.3	\$14,253.4
% of outstanding debt					
- Delinquent	18.9%	20.3%	21.8%	23.9%	24.6%
- Estimated to be uncollectible	21.1%	24.6%	24.2%	24.4%	27.4%
New debt as a % of benefit outlays	0.8%	0.8%	0.8%	0.9%	0.8%
% of debt collected	17.2%	18.3%	18.5%	20.2%	20.1%
Cost to collect \$1	\$0.10	\$0.09	\$0.09	\$0.08	\$0.07
% change in collections from prior FY	(0.3%)	(2.5%)	9.5%	13.4%	3.5%
% change in delinquencies from prior FY	22.4%	(2.1%)	15.3%	13.9%	7.6%
Collections & write-offs as a % of Total Debt	19.4%	18.0%	19.3%	21.2%	20.6%
Collections as a % of clearances	71.5%	71.6%	74.3%	71.1%	74.4%
Total write-offs of debt (in millions)	\$918.7	\$892.7	\$841.8	\$1,123.6	\$986.1
Average number of months to clear receivables:					
- OASI	18	22	20	18	18
- DI	33	38	30	29	39
- SSI	52	47	42	43	42