MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* (MD&A) is required supplementary information to the financial statements and is designed to provide a high-level overview of the Social Security Administration (SSA). It provides a description of who we are, what we do, and how well we meet our established goals.

The *Overview of the Social Security Administration* section highlights our mission as set forth in the *Agency's Strategic Plan*. In this section, we identify the major programs we administer and how these programs and our services have evolved over the years. We also provide a brief explanation of our organization.

Next, the *Overview of Our FY 2010 Goals and Results* section summarizes our FY 2010 performance measures in compliance with the *Government Performance and Results Act of 1993*. We identify and cite the results for each of the 27 performance measures we used to manage and track our progress in FY 2010. In addition, we highlight our FY 2010 performance in key measures under each strategic goal. This section also addresses our implementation of Presidential initiatives and other events occurring in FY 2010 that related directly to one or more of our strategic goals. Lastly, we discuss the integrity of our data and describe our efforts to provide reasonable assurance that reported performance information is reliable and complete.

The *Performance and Accountability Report* would not be complete without providing a summary of the challenges we face to meet the changing needs of the public; our activities in FY 2010 to address these challenges; and our future plans and strategies to overcome these challenges. We discuss these challenges in the *Achieving Our Mission* section. Also in this section, we review our performance and our advancements in support of our two key foundational elements (our employees and information technology) and a special initiative (encourage saving) identified in the *Agency's Strategic Plan*.

In addition to discussing program performance, the MD&A also addresses our financial performance in the *Highlights of Financial Position* section. We explain the major sources and uses of our funds, as well as the use of these resources, in terms of both program and function. We discuss the solvency of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds and indicate the projections for short-term and long-term financing of the OASI and DI Trust Funds.

Finally, the *Systems and Controls* section of the MD&A provides a discussion of the actions we have taken to address our management control responsibilities. The Management Assurances within this section provides our assurances related to the *Federal Managers' Financial Integrity Act* and the determination of our compliance with the *Federal Financial Management Improvement Act*. We also address the results of the audit of our financial statements and compliance with the *Federal Information Security Management Act*.

OVERVIEW OF THE SOCIAL SECURITY ADMINISTRATION

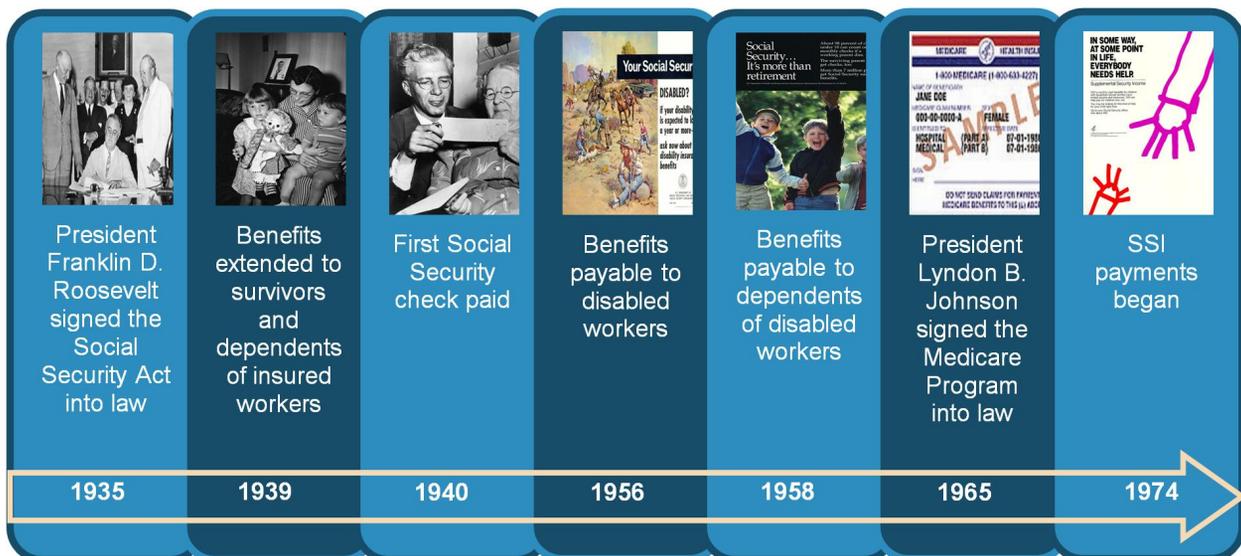## Social Security Benefits America

Our Mission: Deliver Social Security services that meet the changing needs of the public

In 2010, we celebrated the 75th anniversary of the signing of the *Social Security Act.* This landmark legislation provides financial support and economic security to a wide range of our population. Few government agencies touch as many lives as the Social Security Administration. The programs we administer and the services we provide are vital to the health and welfare of the Nation and are considered by many to be the most successful large-scale Federal programs in our Nation's history.

Created in response to the Great Depression, and financed through contributions of workers and their employers, Social Security continues to provide a safety net for seniors and a source of assistance for millions of Americans as our country rebounds from economic crisis. The *Social Security Act* has expanded beyond its initial coverage of only retired workers to include dependent and survivor benefits, disability insurance, and guaranteed medical insurance for seniors through Medicare. We also administer the Supplemental Security Income (SSI) program, which is financed through general revenue funds. SSI helps the elderly as well as blind or disabled people under 65 with limited income and resources, meet their basic needs for food, clothing, and shelter.

Over the years, we have grown from about 222,500 beneficiaries receiving $35 million in Social Security benefits in 1940 to over 57 million Social Security beneficiaries and SSI recipients receiving a combined total of about $740 billion in fiscal year (FY) 2010. Although Medicare is administered by the Centers for Medicare & Medicaid Services, we handle all applications for Medicare and Applications for Extra Help with Medicare Prescription Drug Plan Costs. Additionally, we are the collection agent for Medicare premiums.

The timeline below shows the progression of Social Security programs and responsibilities having a direct impact on the American public.
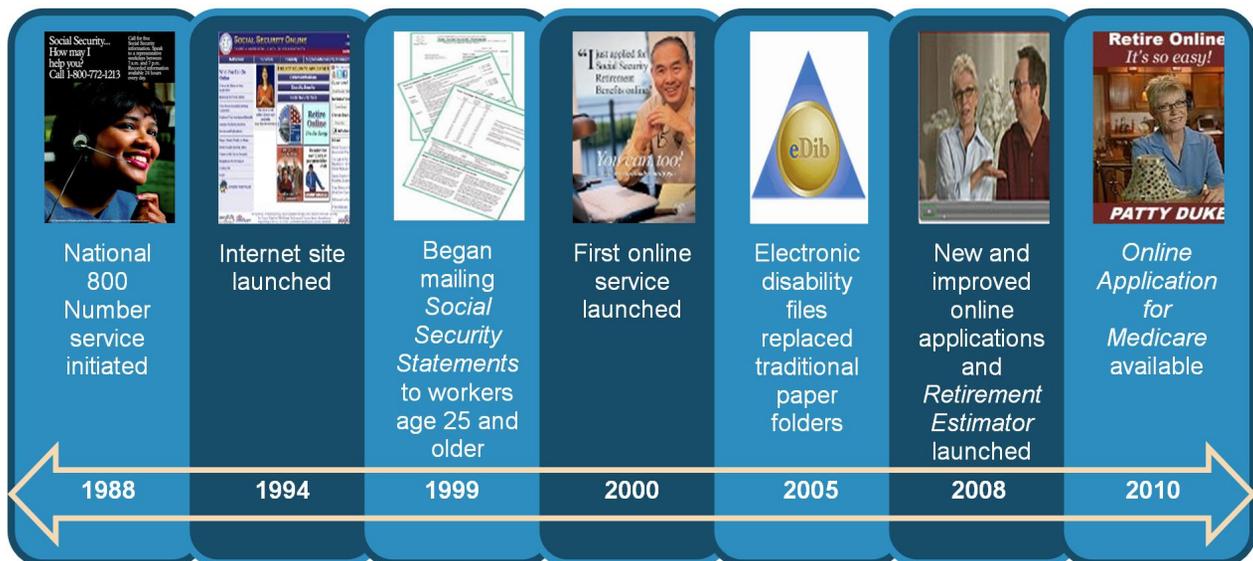

President Franklin D. Roosevelt signed the Social Security Act into law	Benefits extended to survivors and dependents of insured workers	First Social Security check paid	Benefits payable to disabled workers	Benefits payable to dependents of disabled workers	President Lyndon B. Johnson signed the Medicare Program into law	SSI payments began
1935	**1939**	**1940**	**1956**	**1958**	**1965**	**1974**

Meeting the Changing Needs of the Public

We live in a rapidly changing world of technological and medical advances, demographic shifts, and uncertain economic times. The way we conducted business in the past no longer fits the present or the future. Through continuous assessment of the way we deliver services, we have expanded from an entirely field office-based operation to one that offers a wide array of methods the public can use to interact with us.

Technology and automation are key to providing quality service to the public, as our workloads continue to grow. For example:

- To handle the growing number of hearings requests, we are conducting more hearings remotely using video conferencing.

- To expedite disability claims, we are using predictive modeling and electronic screening tools to identify applicants whose medical conditions are likely or certain to meet our disability standards.

- To improve the speed of our disability process, we are piloting health Information Technology (health IT) to receive medical records electronically.

- To provide more convenient service to the public, we are expanding our Internet website, www.socialsecurity.gov, to enable people to file for Medicare, retirement, and disability benefits online.

The timeline below highlights some additional changes in the way we deliver our services to better accommodate the public.


National 800 Number service initiated	Internet site launched	Began mailing *Social Security Statements* to workers age 25 and older	First online service launched	Electronic disability files replaced traditional paper folders	New and improved online applications and *Retirement Estimator* launched	*Online Application for Medicare* available
1988	**1994**	**1999**	**2000**	**2005**	**2008**	**2010**

Our Organization

We touch the lives of virtually every American, as well as many people living abroad. We administer the programs that make up the largest social insurance system in the world.

Our current organization is comprised of almost 68,000 employees. We deliver services through a nationwide network of 1,500 offices that include regional offices, field offices (including card centers), teleservice centers, processing centers, hearing offices (including satellite offices and National Hearing Centers), the Appeals Council, and our headquarters located in Baltimore, Maryland. We also have a presence in several U.S. embassies around the globe.

Our field offices and card centers are the primary points for face-to-face contact with the public. Teleservice centers primarily handle calls to our National 800 Number. Processing centers perform a wide range of workloads in addition to handling National 800 Number calls. The Appeals Council and the administrative law judges in our hearing offices and centers decide appeals of Social Security claims and SSI applications. Most of our employees deliver direct service to the public or support the services provided by these frontline workers. Additionally, our disability programs depend on the work of over 18,200 people employed by our State and territorial partners, the Disability Determination Services. A chart of our current organizational structure and the function each component performs is available at www.socialsecurity.gov/org.
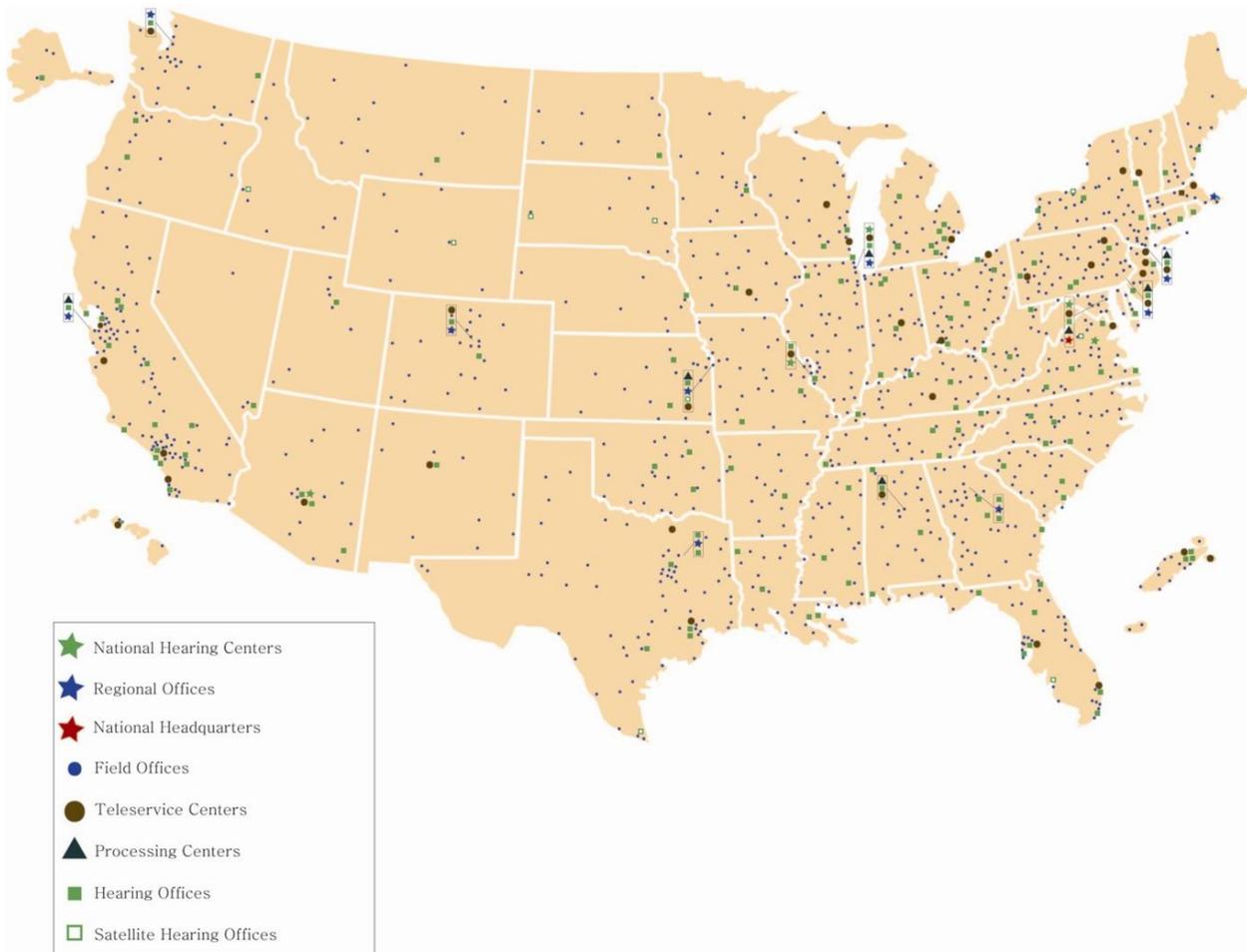
Figure 1: The symbols on this map of the United States identify the locations of our offices.

OVERVIEW OF OUR FY 2010 GOALS AND RESULTS

Summary of FY 2010 Performance and Priority Goals

In FY 2010, we focused our attention and resources on 27 performance measures that we identified in our *Annual Performance Plan for FY 2011 and Revised Final Performance Plan for FY 2010* (www.socialsecurity.gov/performance/) as required by the *Government Performance and Results Act of 1993* (www.whitehouse.gov/omb/mgmt–gpra/gplaw2m). We use these performance measures to track our progress in meeting the strategic goals and objectives outlined in our *Agency Strategic Plan for Fiscal Years 2008 – 2013* (www.socialsecurity.gov/asp/index.htm).

In FY 2010, we established 27 performance measures and targets. We met or exceeded our target in 22 measures and missed our target in 2 measures. End-of-year data for three measures were unavailable. We will publish FY 2010 data for these measures in our *FY 2011 Performance and Accountability Report*. Also in this FY 2010 report, we discuss three FY 2009 performance measures for which data were unavailable when we published the *FY 2009 Performance and Accountability Report*.

In FY 2009, the President emphasized the need for Government to work better, faster, and more efficiently in order to address the extraordinary challenges our country faces. In support of the Governmentwide initiative to build a high-performing Government, agencies included a limited number of near-term priority goals in their FY 2011 budgets. These goals were to be ambitious and challenging, but realistic, with targeted outcomes achievable in less than two years without the need for new resources or legislation. We identified the following four priority goals that directly support our strategic goals:

- Increase the Number of Online Applications;

- Issue More Decisions for People Who File for Disability;

- Improve Our Customers' Service Experience on the Telephone, in Our Field Offices, and Online; and

- Ensure Effective Stewardship of Our Programs by Increasing Our Program Integrity Efforts.

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Overall Performance Measure Results: Met the target for 6 of 6 measures (see pages 49-55)

Supporting Priority Goal: *Issue More Decisions for People Who File for Disability*

In FY 2010, we averaged 426 days to issue a hearing decision, 65 fewer days than FY 2009. We are committed to reducing the time it takes a person to receive a hearing decision to an average of 270 days by FY 2013. We remain on track to meet this goal, although it is increasingly challenging as the volume of hearing requests continues to

increase. In FY 2010, we received a record-breaking 720,161 requests for hearing. With our increased capacity to hear and decide cases, we completed 737,616 hearing requests, our highest annual total to date. As the accompanying graph indicates, FY 2010 was the second consecutive year in which we completed more hearing requests than we received, helping us to remain on track eliminate our backlog by FY 2013.
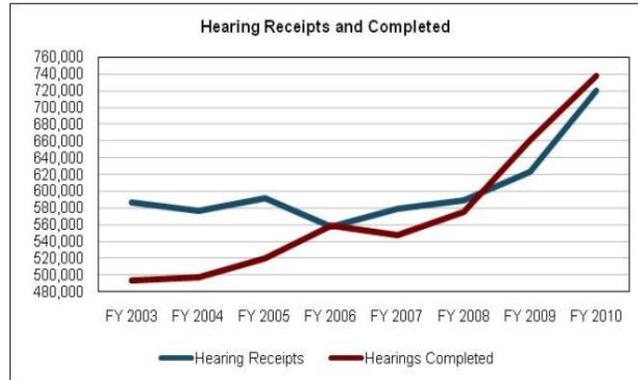
In FY 2010, we opened our first National Case Assistance Centers – in St. Louis, Missouri and McLean, Virginia – where staff provide support services, such as preparing cases for hearings, writing

hearing decisions, and helping to fill administrative law judge (ALJ) hearing dockets to capacity. We also created a Virtual Screening Unit staffed by attorney adjudicators who screen cases to see if a fully favorable decision can be made without holding a hearing. Since the unit is able to review cases remotely, it can provide assistance to our most burdened hearing offices. Attorney adjudicators in the hearing offices and Virtual Screening Unit issued 54,186 fully favorable decisions in FY 2010, a 49-percent increase from FY 2009.

For more information on how we addressed the challenges for this strategic goal, see pages 26-27.

Strategic Goal 2: Improve the Speed and Quality of Our Disability Process

Overall Performance Measure Results: Met the target for 7 of 7 measures (see pages 55-61)

Supporting Priority Goals: *Increase the Number of Online Applications* and *Issue More Decisions for People Who File for Disability*

In FY 2010, we received 3,224,668 initial disability claims, the highest in our 75-year history, and 5.8 percent more claims than FY 2009. While FY 2010 marked the second consecutive year in which our disability claim receipts outnumbered the volume completed, we completed a record number of initial disability claims in FY 2010 – 3,161,314 – exceeding our target by more than 80,000 claims. We were able to achieve this milestone despite unexpected State furloughs of federally funded Disability Determination Service (DDS) employees.
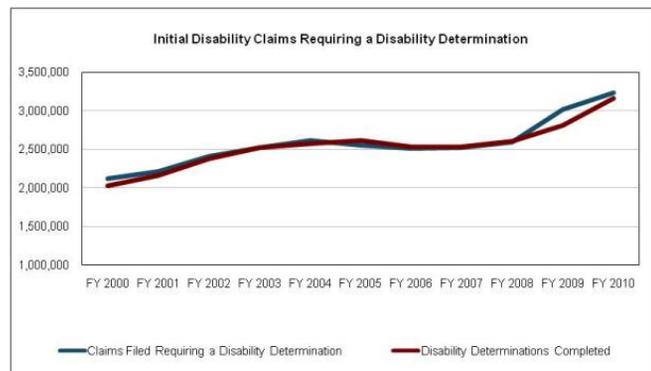
We recognize the value of online claims filing, both to the public and to us. Therefore, we intensified our efforts to enable people to file for initial disability benefits online.

In FY 2010, 27 percent of initial disability claims were filed online compared to 21 percent in FY 2009, and about a 130-percent increase since FY 2008. We attribute much of the increase to our simplification of the disability report that we require as part of the disability application.

We are dedicated to fast-tracking disability claims that obviously meet our disability standards and to providing decisions within 20 days of filing. With the effective use of screening methods, expanded technology, and electronic services, we have increased our ability to identify and quickly complete the most obvious disability cases. We identified 4.6 percent of the incoming FY 2010 initial disability claims for fast-track processing. We continue to refine our methods for identifying disabilities that meet our disability standards so we can increase the number of fast-tracked claims while maintaining accuracy.

For more information on how we addressed the challenges for this strategic goal, see pages 28-29.

## Strategic Goal 3: Improve Our Retiree and Other Core Services

Overall Performance Measure Results: Met the target for 3 of 6 measures; 1 measure to be determined – final FY 2010 performance data not available (see pages 62-68)

Supporting Priority Goals: *Improve Our Customers' Service Experience on the Telephone, in Our Field Offices, and Online* and *Increase the Number of Online Applications*

In FY 2010, we completed 4.7 million retirement, survivors, and health insurance claims (see accompanying graph). More than 2.4 million people filed for retirement benefits alone. Applications for retirement benefits have not yet peaked, and we anticipate that FY 2011 will be another record-breaking year.

In FY 2010, we launched our newest online service, an application for Medicare benefits. This new online application, which takes less than 10 minutes to complete, is for people reaching 65 who want to file for Medicare but wish to delay filing for Social Security retirement benefits. In FY 2010, we received 107,884 online Medicare applications.

In FY 2010, the percentage of retirement applications filed online increased to 37 percent, from 32 percent one year before. Although we narrowly missed meeting our target, the percentage of online applications trended upward during the course of the year, and we ended the fiscal year near 40 percent. We will use the results of online surveys to more fully address the public's needs.
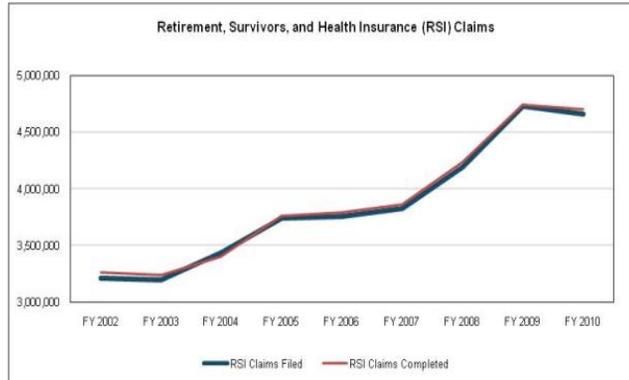
We strive to provide quality service to the public whether by phone, in-person, or online. We survey our customers to determine the percentage of people doing business with us who rate their overall service as "excellent," "very good," or "good." Our goal in FY 2010 was to achieve 83.5 percent, but our survey results showed 78.2 percent of the people surveyed rated our service as "excellent," "very good," or "good." (See pages 88-91 for more information and findings from our service satisfaction surveys.) In FY 2010, more than 45 million people visited our field offices, and we handled almost 68 million transactions via our National 800 Number.
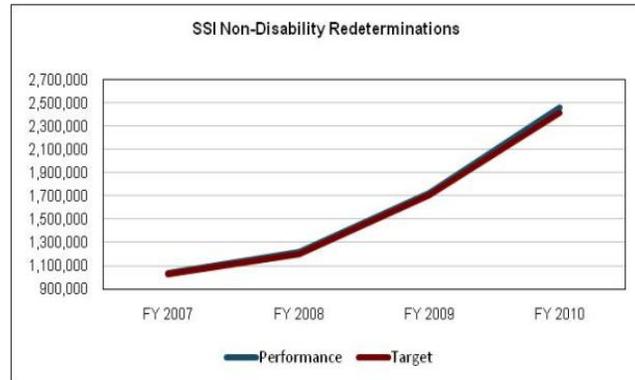
For more information on how we addressed the challenges for this strategic goal, see pages 30-32.

## Strategic Goal 4:   Preserve the **Public's Trust in Our Programs**

Overall Performance Measure Results: Met the target for 6 of 8 performance measures; 2 measures to be determined – final FY 2010 performance data not available (see pages 69-77)

Supporting Priority Goal: *Ensure Effective Stewardship of Our Programs by Increasing Program Integrity Efforts*

We are committed to minimizing improper payments and protecting program dollars from waste, fraud, and abuse. We invested $759 million toward our program integrity efforts in FY 2010, an increase of $254 million over FY 2009. These funds enabled us to complete 735,303 more SSI redeterminations in FY 2010 than FY 2009. Redeterminations are our most effective method to minimize incorrect SSI payments. Moreover, redeterminations are cost-effective, with an estimated return-on-investment over 10 years of $8 in program savings for each $1 spent, including savings accruing to Medicaid. We will continue increasing the number of SSI redeterminations we complete in FY 2011 and beyond to curb even more improper SSI payments. We discuss SSI redeterminations in more detail on page 69.

We also conducted more medical continuing disability reviews (CDR) in FY 2010. CDRs are our most effective method to ensure we pay disability benefits only to those who continue to meet our requirements. CDRs are highly cost effective; historically every $1 spent on CDRs produces at least $10 in lifetime program savings. In FY 2010, we exceeded our goal by performing 956,182 CDRs.
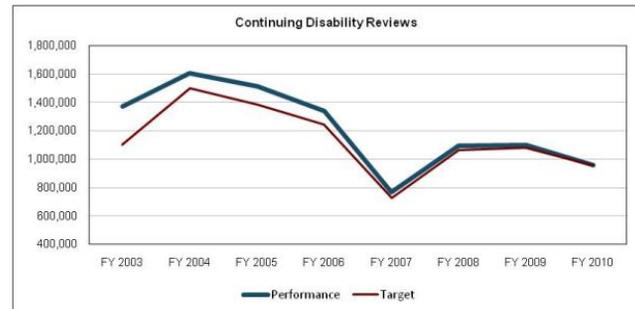
For more information on how we addressed the challenges for this strategic goal, see pages 32-34.

Performance Summary of Goals and Results

The following tables provide a brief overview of our performance in all 27 FY 2010 performance measures using the following key. We listed the measures based on the goals and objectives they support in our *Agency Strategic Plan for Fiscal Years 2008 – 2013* and our *Annual Performance Plan for FY 2011 and Revised Final Plan for FY 2010.*

Key	
Target met or exceeded	↑
Target not met	↓
Target not met, but performance improved from previous fiscal year	↓↑
To be determined – final FY 2010 data not available	TBD
PPM – Denotes each of the agency's *Government Performance and Results Act* performance measures that are also *Program Performance Measures.* See page 19 for more information on *Program Performance Measures.* **PG** – Denotes each of the agency's *Government Performance and Results Act* performance measures that also support our Priority Goals. See page 10 for more information on our Priority Goals.	

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence				
Strategic Objective 1.1: Increase our capacity to hear and decide cases				
Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
1.1a PG Complete the budgeted number of hearing requests	725,000	737,616	↑	49
Strategic Objective 1.2: Improve our workload management practices throughout the hearing process				
Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
1.2a Achieve the target number of hearing requests pending	707,000	705,367	↑	50
1.2b Achieve the target to eliminate the oldest hearing requests pending	Less than 0.5% of hearing requests pending 825 days or older	.03% of hearing requests pending 825 days or older	↑	51

	Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence				
	Strategic Objective 1.2: Improve our workload management practices throughout the hearing process				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
1.2c PPM	Achieve the budgeted goal for average processing time for hearing requests	485 days	426 days	⬆	52
1.2d	Achieve the target to eliminate the oldest Appeals Council requests for review pending	Less than 1% of Appeals Council requests for review pending 700 days or older	.05% of Appeals Council requests for review pending 700 days or older	⬆	53
1.2e	Achieve the target average processing time for Appeals Council requests for review	370 days	345 days	⬆	54
	Strategic Goal 2: Improve the Speed and Quality of our Disability Process				
	Strategic Objective 2.1: Fast-track cases that obviously meet our disability standards				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
2.1a PG	Achieve the target percentage of initial disability cases identified as a *Quick Disability Determination* or a *Compassionate Allowance*	4.5%	4.6%	⬆	55
2.1b PG	Complete the budgeted number of initial disability claims	3,081,000	3,161,314	⬆	56
2.1c PPM	Minimize average processing time for initial disability claims to provide timely decisions	132 days	111 days	⬆	57
	Strategic Objective 2.2: Make it easier and faster to file for disability benefits online				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
2.2a PG	Achieve the target percentage of initial disability claims filed online	25%	27%	⬆	58
2.2b	Achieve the target number of initial disability claims pending	1,041,000	842,192	⬆	59

	Strategic Goal 2: Improve the Speed and Quality of Our Disability Process				
	Strategic Objective 2.3: Regularly update our disability policies and procedures				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
2.3a	Update the medical *Listing of Impairments*	Develop and submit at least 3 regulatory actions or *Social Security Rulings*	Published 3 final Regulations and 1 Notice of Proposed Rulemaking	⬆	60
2.3b	Increase the percentage of disability claims completed using *health Information Technology*	Establish Baseline	Established Baseline (3,000)	⬆	61
	Strategic Goal 3: Improve our Retiree and Other Core Services				
	Strategic Objective 3.1: Dramatically increase baby boomers' use of our online retirement services				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
3.1a PPM	Percent of retirement and survivors claims receipts completed up to the budgeted level	100% (4,718,000) 4,658,124 received	101% (4,700,990)	⬆	62
3.1b PG	Achieve the target percentage of retirement claims filed online	38%	37%	⬇⬆	63
	Strategic Objective 3.2: Provide individuals with accurate, clear, and up-to-date information				
	There is no performance measure for this objective for FY 2010.				
	Strategic Objective 3.3: Improve our telephone service				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
3.3a PG	Achieve the target speed in answering National 800 Number calls	269 seconds	203 seconds	⬆	64
3.3b PG	Achieve the target busy rate for National 800 Number calls	8%	5%	⬆	65

	Strategic Goal 3: Improve our Retiree and Other Core Services				

	Strategic Objective 3.4: Improve service for individuals who visit our field offices				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
3.4a PPM PG	Percent of individuals who do business with SSA rating the overall services as "excellent," "very good," or "good"	83.5%	78.2%	↓	66

	Strategic Objective 3.5: Process our Social Security number workload more effectively and efficiently				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
3.5a	Achieve the target percentage for correctly assigning original Social Security numbers	99%	Data available April 2011	TBD	67

	Strategic Goal 4: Preserve the Public's Trust in Our Program				

	Strategic Objective 4.1: Curb improper payments				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
4.1a PG	Complete the budgeted number of Supplemental Security Income non-disability redeterminations	2,422,000	2,465,878	↑	69
4.1b PG	Complete the budgeted number of continuing disability reviews	954,000	956,182	↑	70
4.1c PPM	Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error	91.6% (O/P) / 98.8% (U/P)	Data available June 2011	TBD	71
4.1d PPM	Percent of Old–Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error	99.8% (O/P) / 99.8% (U/P)	Data available June 2011	TBD	72

	Strategic Objective 4.2: Ensure privacy and security of personal information				
There is no performance measure for this objective for FY 2010.					

	Strategic Goal 4: Preserve the Public's Trust in Our Program				
	Strategic Objective 4.3: Maintain accurate earnings records				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
4.3a	Reduce the target percentage of paper *Forms W-2* completed	17%	15%	⬆	74
	Strategic Objective 4.4: Simplify and streamline how we do our work				
	There is no performance measure for this objective for FY 2010.				
	Strategic Objective 4.5: Protect our programs from waste, fraud, and abuse				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
4.5a	Receive an unqualified audit opinion on SSA's financial statements	Receive an unqualified opinion	Received an unqualified opinion	⬆	75
	Strategic Objective 4.6: Use "green" solutions to improve our environment				
	Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
4.6a	Replace gasoline-powered vehicles with alternative-fuel vehicles	50 vehicles	50 vehicles	⬆	76
4.6b	Develop and implement an agency *Environmental Management System*	Provide training needed for implementation	Provided training needed for implementation	⬆	77

Our Program Performance Measures

The Office of Management and Budget (OMB) assesses the effectiveness of Federal programs by identifying strengths and weaknesses to assist executives in making informed budget and management decisions. We provide *Program Performance Measures* and targets that OMB uses to evaluate the effectiveness of our Old-Age, Survivors, and Disability Insurance and SSI programs. In FY 2010, we had 16 *Program Performance Measures*. Eight of these measures were also *Government Performance and Results Act* performance measures and are included in the *Performance Summary of Goals and Results* on pages 14-18. (Four of the *Program Performance Measures* are consolidated into two *Government Performance and Results Act* performance measures, 4.1c. and 4.1d. on page 17). We provide a brief overview of our FY 2010 performance in the remaining eight *Program Performance Measures* below.

Program Performance Measures				
Performance Measure	**FY 2010 Target**	**FY 2010 Actual**	**Target Achieved?**	**See Page #**
Achieve target percentage of hearing level cases pending over 365 days	39%	20%	⬆	77
Achieve the budgeted goal for SSA hearings cases production per workyear	108	105	⬇	78
Disability Determination Services net accuracy rate for combined initial disability allowances and denials	97%	Data available January 2011	TBD	79
Disability Determination Services cases production per workyear	268	273	⬆	80
Number of Disability Insurance and Supplemental Security Income beneficiaries, with Tickets assigned, who work	98,940	Data available July 2011	TBD	81
Percent of Supplemental Security Income aged claims processed by the time the first payment is due or within 14 days of the effective filing date	80%	92%	⬆	82
Issue annual SSA-initiated *Social Security Statement* to eligible individuals age 25 and older	100%	100%	⬆	83
Through the changes in the law, achieve and maintain sustainable solvency such that today's and tomorrow's workers can expect to receive the benefits scheduled in law as reformed rather than as determined by Trust Fund solvency, while continuing to protect those who depend on Social Security the most	Conduct Analysis	Completed	⬆	84

American Recovery and Reinvestment Act of 2009

We received over $1 billion in administrative funding under the *American Recovery and Reinvestment Act (Recovery Act)* signed into law on February 17, 2009. Congress appropriated these funds specifically for the following projects:

- **$500 Million to Address our Retirement and Disability Workloads:** *Recovery Act* funding allowed us to sustain higher staff and overtime levels in FY 2010, which helped improve our ability to complete additional requests for hearings, continue to reduce the number of pending hearings, and address our increasing disability and retirement workloads. We spent $147.1 million of *Recovery Act* funding in FY 2009. In FY 2010, we spent $347.7 million in *Recovery Act* funding to pay labor costs of Federal and State employees, including overtime and for health Information Technology. These funds helped with case preparation and decisionmaking, which ultimately facilitated workload completion at a higher rate than in FY 2009. In FY 2010, we completed approximately 1,015,000 retirement claims, approximately 223,000 disability claims, and approximately 95,000 hearings with *Recovery Act* funding.

- **$90 Million to Administer *Economic Recovery Payments*:** In FY 2009, we issued $250 economic recovery payments to almost 53 million eligible Social Security beneficiaries and SSI recipients. We spent $37.9 million of *Recovery Act* administrative funding in FY 2009. In FY 2010, we spent $2.8 million of *Recovery Act* administrative funding to pay the salaries and benefits of employees responding to public inquiries concerning *Economic Recovery Payments* (ERP) and issuing "catch-up" payments. We plan to spend an additional $400,000 in FY 2011 to continue these functions. In FY 2010, Congress rescinded $47 million of the $90 million allocated to us for the *Economic Recovery Payments* as part of Public Law 111-226, *FAA Air Transportation Modernization and Safety Improvement Act*.

- **$500 Million to Construct and Partially Equip a New Data Center to Replace Our Aging National Computer Center:** We are using *Recovery Act* funding to construct a new National Support Center. This new facility will increase our computer infrastructure and storage capacity, which are critical for us to support technological advancements, such as health Information Technology, and enable us to maintain demographic and benefit information. In FY 2010, we spent $1.9 million of the *Recovery Act* funding on planning, developing site criteria, and conducting research and studies toward the ultimate goal of purchasing land for the facility. We expect to spend the remaining $497 million in *Recovery Act* funds to construct the Center, which should be complete in FY 2014. See page 36 for more information about the new National Support Center and other Information Technology initiatives.

In addition, the Recovery Act provided for a one-time ERP of $250 to most adult Social Security, SSI, Railroad Retirement Board, and Veteran's Affairs Disability beneficiaries. As of September 30, 2010, we have made over 53 million ERPs totaling $13.2 billion. This *Recovery Act* appropriation is separate from our administrative funding. For more information on our activities associated with the *Recovery Act*, see www.socialsecurity.gov/recovery.

Presidential Initiatives Implemented in FY 2010

President Obama issued three Governmentwide Executive Orders in FY 2010 that directly relate to our strategic goals and affect the way we do business. These Orders have raised public awareness about how Government works for its citizens.

Open Government

On his first day in office, President Obama issued a call for increased openness in government. The Office of Management and Budget (OMB) later issued the Open Government Directive, instructing each Federal agency to formulate a plan to increase and accelerate openness and accountability in its programs and operations. In response to this call, we published our first *Open Government Plan,* *(www.socialsecurity.gov/open/10-617OGP.pdf)*, which is our framework for incorporating the principles of transparency, participation, and collaboration into our plans for achieving our mission. Our *Plan*, which reflects input from a variety of public and internal sources, maps out Social Security's path to greater openness along four essential goals. In FY 2010, we took significant steps toward achieving these goals.

- *Increased Transparency:* We are committed to sharing and being accountable for information the public wants from us. Toward this end, in FY 2010 we completed an inventory and plan (www.socialsecurity.gov/open/data-inventory.pdf) for releasing high-value data. We added 20 datasets to the 2 we had published on www.data.gov last year. We also met with stakeholders to foster the public's use of the information we publish. While our goal is to become even more open and transparent, we will continue to vigilantly protect the personal information the public entrusts to us. We will ensure that transparency does not put that information at risk. We published an open government web portal, www.socialsecurity.gov/open, which displays information about our transparency efforts.

- *Expanded Participation and Collaboration***:** We are expanding on our long history of inviting the public to participate and collaborate with us. Our *Open Government Plan* includes potential tools and tactics for both external and internal audiences. In developing our *Plan*, we offered an online platform to collect public and employee ideas and comments, and regularly report our progress in implementing the *Plan*. We successfully carried out the agency's first public challenge, a video contest to inform the public of our many programs by capturing personal stories of Social Security's impact on people's lives. We used the agency's various social media channels to foster awareness of and access to our programs and services. To encourage employee participation in open government activities, we held our first Open Government Employee Awareness Day, featuring presentations from the White House and outside agency representatives.

- *Advanced our Flagship Initiatives:* This year, we made great strides in launching our three flagship initiatives. We developed and tested the *Spanish Language Retirement Estimator*, the agency's and the Federal Government's first ever, non-English, interactive Internet application, and are on track for implementation in early FY 2011. We also developed and tested a new *Online Service Enhancement Tool* that helps the public more easily find information and services on our Internet website. Finally, in July 2010, we implemented our *Online Life Expectancy Calculator*, which is a simple interactive tool to assist the public with retirement planning.

- *Promoted Sustainability:* We have taken several steps to incorporate transparency, participation, and collaboration as lasting principles in our work culture. Our *Plan* includes activities to foster employee engagement in promoting and incorporating open government principles throughout the agency. In addition, our Open Government Steering Committee provides guidance on our open government strategic direction, and we will incorporate these principles in our new *Agency Strategic Plan.*

Reduction of Improper Payments

Federal agencies reported over $100 billion in improper payments during FY 2009. In response to this unprecedented level of improper payments, the President signed *Executive Order 13520*, *Reducing Improper Payments and Eliminating Waste in Federal Programs* on November 20, 2009. A Federal website launched on June 24, 2010 increased transparency by informing the public of improper payments made in error-prone programs administered by the Federal Government. It also provided details on efforts taken to eliminate and reduce improper payments under these programs (see www.paymentaccuracy.gov/).

We must be good stewards of the Social Security and SSI programs; accordingly, one of our strategic goals in our *Agency Strategic Plan* is to preserve the public's trust in our programs. The first objective under this goal is to curb improper payments (www.socialsecurity.gov/asp/StrategicGoal4.pdf). We discuss our efforts towards achieving this objective on pages 32-33. In addition, we provide a detailed report on improper payments in the *Other Accompanying Information* section of this report.

Curbing improper payments under our SSI program is particularly challenging due to the nature of the program and its complex rules and regulations. As a needs-based program, a change in a recipient's living arrangements, income, or resources can affect eligibility or the monthly payment amount. A failure to report, or a delay in reporting, one of these payment-affecting events will likely result in an improper payment. In FY 2009, SSI recipients were improperly paid $4.8 billion ($4 billion in overpayments and $800 million in underpayments) the majority caused by undisclosed financial accounts that exceed SSI program resource limits and unreported or under-reported wages. In compliance with *Executive Order 13520*, we implemented a plan specifically dedicated to reducing improper SSI payments. We discuss our initiatives under this plan along with other efforts we are taking to reduce improper payments at www.socialsecurity.gov/improperpayments.

Federal Leadership in Environmental, Energy, and Economic Performance

On October 5, 2009, the President signed *Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance* (edocket.access.gpo.gov/2009/pdf/E9-24518.pdf), to establish an integrated strategy towards sustainability in the Federal Government and to make reduction of greenhouse gas emissions a priority for Federal agencies. The Executive Order calls for Federal agencies to prioritize reduction of greenhouse gas emissions. We are proud to be pioneers in these efforts. We incorporated a strategic objective – use "green" solutions to improve our environment – in our *Agency Strategic Plan* published in 2008.

In compliance with the Executive Order, we designated a Senior Sustainability Officer and developed an *Environmental Policy Statement and Strategic Sustainability Plan, which OMB approved* (see www.socialsecurity.gov/budget/sspp/SSASustainabilityPlan.pdf). Additionally, we set target reduction goals for greenhouse gas emissions.

We are also developing an organizational *Environmental Management System* (EMS) to evaluate our performance and track the progress of our environmental goals related to sustainable buildings, water and energy use, pollution prevention, sustainable acquisition, electronic stewardship, and agency innovation. We plan to complete the EMS in FY 2012.

Other Performance Considerations

We strive to provide excellent service to the public. We often assist people in their quest for non-SSA related information or services. For example, we discuss the basic food stamp eligibility requirements and, in some cases, we take food stamp applications. In addition, we frequently provide people with referral assistance.

New policies and initiatives in other Federal agencies can have an impact on our business process or can result in an increase in the volume of inquiries we receive. This occurred in April 2010 when the Department of the Treasury announced its *All Electronic Treasury* initiative (www.treasury.gov/press/releases/tg644.htm). Under this regulatory proposal, all Social Security benefits and SSI payments will be issued electronically by 2013 using either direct deposit or Treasury's *Direct Express* debit card. The proposal would implement the all-electronic payment system in two stages:

- Beginning March 2011, all newly entitled Social Security beneficiaries and SSI recipients will be paid electronically by direct deposit; and

- By March 2013, all Social Security beneficiaries and SSI recipients receiving paper checks must switch to direct deposit.

Frequently events occur that require us to divert budget, employees, and other resources from our traditional services and workloads to address unanticipated events. The following two court rulings modified our business processes in FY 2010:
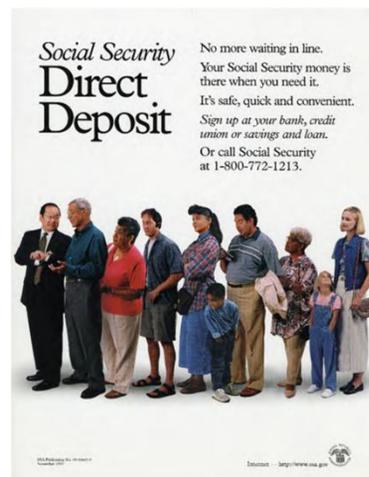
Providing Additional Notice Options for the Blind and Visually Impaired: As a result of the *American Council of the Blind* class action decision in October 2009, we are required to offer two additional notice formats to blind or visually impaired people who conduct business with us. On April 15, 2010, we began offering two new formats – a standard print notice and a Braille notice delivered by first-class mail or a standard print notice and a compact disc containing the notice in navigable Microsoft WORD format delivered by first-class mail.

The estimated cost to comply with the court-ordered mandate, which was not included in the FY 2010 budget, was over $20 million. These costs included contracts with private vendors to produce Braille and compact disc-formatted notices, and the programming and systems modifications to automate the new notice formats. For more information on our implementation of the *American Council of the Blind* ruling, and the new notice formats, see www.socialsecurity.gov/notices and www.socialsecurity.gov/notices/ACBNotice.htm.

Processing Certain Fugitive Felon Non-Payments and Non-Selections of Representative Payees: As a result of the *Martinez* class action settlement in September 2009, we were required to change our policy regarding the statutory provision that prohibits the payment of Social Security and SSI benefits to fugitive felons. Prior to the court ruling, we suspended or denied benefits to people who had an outstanding felony arrest warrant. Under *Martinez*, effective April 1, 2009, we can suspend or deny benefits to people only if their outstanding felony arrest warrant was issued for: 1) escape from custody; 2) flight to avoid prosecution or confinement; or 3) flight escape. We also began applying the new policy when we consider a person's suitability to serve as a representative payee.
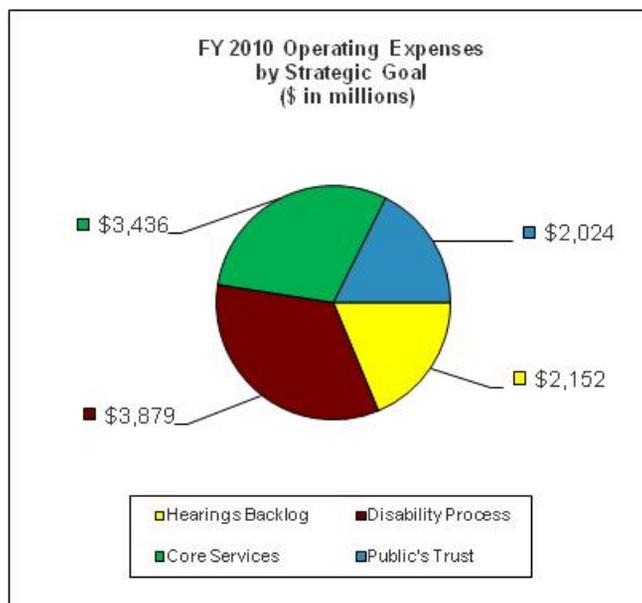
We must notify people whose benefits were suspended or denied after 2006 based on our prior policy (or who had a pending administrative claim challenging any such suspension or denial as of August 11, 2008) of the change in policy, and that they may be entitled to or eligible for benefits or payments for applicable periods of suspension or non-payment. For more information on the Martinez settlement, see www.socialsecurity.gov/martinezsettlement.

How We Integrate Our Performance and Budget

The *Government Performance and Results Act* requires agencies to prepare *Annual Performance Plans* outlining their current year tactical plans for achieving the goals and objectives outlined in their *Strategic Plan*. Our integrated budget and *Annual Performance Plan* demonstrate the connection between requested funding and planned performance. This process is referred to as performance budgeting. The President's FY 2011 budget request included our *Annual Performance Plan for Fiscal Year 2011 and Revised Final Performance Plan for Fiscal Year 2010*, which outlined our performance commitments for FY 2010. Our FY 2011 budget request is available at www.socialsecurity.gov/budget/Budget%20Overview%20Final.pdf.

To round out the recurring cycle of performance budgeting, agencies are required to report, at the close of the fiscal year, their actual performance in comparison to their planned and budgeted performance outcomes. Additionally, agencies are to report their progress toward achieving the goals outlined in their *Strategic Plan*. The *Performance and Accountability Report for Fiscal Year 2010*, compares our FY 2010 performance with our planned and budgeted performance outcomes. Furthermore, it explains our efforts, including our ongoing and planned initiatives, to achieve the four goals outlined in our *Strategic Plan*. By doing so, we enhance the Government's ability to evaluate competing demands for Federal dollars by equipping decisionmakers with better information on the results of individual programs.

The chart below shows our FY 2010 operating expenses allocated by strategic goal.

FY 2010 Operating Expenses
by Strategic Goal
($ in millions)

$3,436
$2,024
$2,152
$3,879

Hearings Backlog   Disability Process
Core Services   Public's Trust

How We Ensure Our Data Integrity

We are committed to providing clear, reliable, and valid data for managerial decision-making and oversight. We have internal controls in place to ensure that we meet these objectives. These controls include ongoing data quality reviews, as well as audit trails, reviews at all levels of management, restricted access to sensitive data, and separation of job responsibilities. Our controls ensure that data contain no material inadequacies and support the Commissioner's *Federal Managers' Financial Integrity Act* Assurance Statement. Refer to the *Systems and Controls* section of this report for more information about the *Federal Managers' Financial Integrity Act.*

SOCIAL SECURITY DATA INTEGRITY SYSTEMS AND CONTROLS

We generate data for quantifiable performance measures using automated management information and workload measurement systems. The data for several accuracy and public satisfaction measures come from surveys and workload samples designed to achieve confidence levels of 95 percent or higher. We also perform stewardship reviews on the accuracy of Old-Age, Survivors, and Disability Insurance (OASDI) and SSI payments. These reviews are the primary measure of quality for agency performance and provide an overall payment accuracy rate. We derive each review from a sample of records of individuals currently receiving monthly Social Security benefits or SSI payments. For each sampled record, we interview the individual or the authorized representative, contact others as needed, and redevelop all non-medical factors of eligibility.

AUDIT OF OUR FY 2010 FINANCIAL STATEMENTS

The *Chief Financial Officers Act of 1990* requires our Office of the Inspector General, or an independent external auditor that it selects, to audit our financial statements. The Office of the Inspector General selected Grant Thornton, LLP to conduct the FY 2010 audit. The audit concluded our financial statements present fairly, in all material respects, the financial position of the Social Security Administration. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We provide the Office of the Inspector General's transmittal and the Grant Thornton, LLP audit report in the *Auditor's Reports* section.

ROLE OF OUR OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General improves our programs and operations and protects them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. The Inspector General provides timely, useful, and reliable information and advice to Administration officials, the Congress, and the public. The Office of Audit conducts performance audits of our programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently.

The objectives of the audits are to:

- Assess and test our internal controls of the development and reporting of performance data for selected annual performance measures;
- Assess and test the application controls related to the performance measures;
- Assess the overall reliability of the performance measures' computer-processed data;
- Test the accuracy of results presented and disclosed in the *Performance and Accountability Report*;
- Assess the meaningfulness of the performance measures; and
- Report the results of the testing to Congress and agency management.

For more details on audit findings and information on how the Office of the Inspector General conducted the audits, refer to the Inspector General's Statement on SSA's Major Management and Performance Challenges in the *Other Accompanying Information* section.

ACHIEVING OUR MISSION

Deliver Social Security Services That Meet the Changing Needs of the Public

This *Performance and Accountability Report* highlights our accomplishments in FY 2010 and how these accomplishments have contributed towards achieving our mission. It also discusses key issues that affected our FY 2010 operations and those we anticipate will affect our future operations. Below we discuss our progress in achieving our mission categorized by the four strategic goals outlined in our *FY 2008–2013 Agency Strategic Plan:*

- Strategic Goal 1– Eliminate Our Hearings Backlog and Prevent Its Recurrence;

- Strategic Goal 2– Improve the Speed and Quality of Our Disability Process;

- Strategic Goal 3– Improve Our Retiree and Other Core Services; and

- Strategic Goal 4– Preserve the Public's Trust in Our Programs.

In addition to the above strategic goals, we identified two key foundational elements (employees and information technology) and a special initiative (encourage saving) in our *Agency Strategic Plan.* In this section, we discuss our progress in these areas.

Strategic Goal 1: Eliminate Our Hearings Backlog and Prevent Its Recurrence

Eliminating our hearings backlogs remained our top priority in FY 2010. Despite receiving a record number of hearing requests in FY 2010, we made inroads in eliminating our hearings backlog due to increased hearing capacity and record productivity by our administrative law judges (ALJ). Moreover, we strengthened our efforts to keep the public better apprised of our hearing reduction efforts, and we increased the transparency of our hearing processes under our *Open Government Plan* we discussed on page 21. We also posted hearings-related datasets on Data.gov, a Federal website designed to make all of government more transparent (www.data.gov/list/agency/12/0/catalog/raw/page/1/count/50). We discuss the outcomes of our efforts to eliminate our hearings backlog, prevent its recurrence, and the effect on our performance measure results on pages 49-55 in the *Performance Section.* Below we discuss additional efforts we took in FY 2010 to advance the two objectives established for this goal.

Strategic Objective 1.1: Increase Our Capacity to Hear and Decide Cases

Open Additional Hearing Offices, National Hearing Centers, and National Case Assistance Centers: In FY 2010, we opened 13 additional hearing offices and 3 satellite offices, and physically expanded the size of 2 existing offices. We plan to open or expand 19 offices in FY 2011. In July 2010, we opened a National Hearing Center in St. Louis, Missouri, increasing our total to five. National Hearing Centers use video conferencing that enables ALJs to hold remote hearings, giving us the flexibility to swiftly target assistance to the areas of the country with the highest pending hearings. Our National Hearing Centers completed 22,760 hearings in

FY 2010 compared to 9,162 in FY 2009. We also opened our first National Case Assistance Centers – in St. Louis, Missouri and McLean, Virginia – where staff provide support services, such as preparing cases for hearings, writing hearing decisions, and helping to fill ALJ hearing dockets to capacity.

Expand Video Hearings Capacity: We are expanding the availability and use of video hearings. Video hearings help minimize travel to hearing sites, saving time and money for all involved parties. More than 20 percent of the hearings we held in FY 2010 were conducted using video equipment. Below we discuss the initiatives we took in FY 2010 to bolster video hearing volumes:

- *Video-Equipped Hearings:* We have gradually expanded our video hearing network since 1999 when we first began testing this technology. In FY 2010, we video-equipped 102 hearing rooms and installed 98 desktop units. Desktop video units are small flat-screen monitors that enable ALJs to conduct video hearings in their offices instead of occupying a hearing room. This helps free up hearing rooms for holding additional hearings. This increased capacity enabled us to hold 40 percent more video hearings in FY 2010 than in FY 2009.

- *Representative Video Project:* Attorney and non-attorney representatives for claimants who have filed requests for hearings may use their own video conferencing equipment to participate in hearings from their offices. In FY 2009, when we began this initiative, 13 representatives' sites participated, and we conducted 966 hearings. In FY 2010, 12 additional representatives' sites participated, and we conducted 2,624 hearings.

Strategic Objective 1.2: Improve Our Workload Management Practices Throughout the Hearing Process

Implement the Standardized Electronic Business Process: We have 154 hearing offices nationwide; electronic business processes and organizational structures varied dramatically among them. We assessed and analyzed the business processes in several hearing offices to identify best practices. In FY 2009, we implemented our standardized Electronic Business Process and provided training in 30 hearing offices. We rolled out and completed training in the remaining offices in FY 2010. We are also tailoring the business process for use in our five National Hearings Centers. Training on the Electronic Business Process specific to the National Hearings Centers is scheduled for November 2010.

Expand Centralized Printing and Mailing: We contracted a vendor to centralize the printing and mailing of select hearing-level notices. Doing so frees up hearing office staff from routine tasks, such as producing, folding, and mailing millions of notices annually. In FY 2010, we rolled out nationwide the centralized printing and mailing of our largest volume hearing notice, the *Notice of Decision*. Also in FY 2010, we introduced central printing and mailing of a pre-hearing questionnaire, and in May 2010, we successfully automated hearing reminder notices nationwide. In total, we centrally printed and mailed 4.6 million notices in FY 2010. We plan to expand the process to other hearing notices in FY 2011.

Develop *Auto-Scheduling Program*: In FY 2010, we began developing an *Auto-Scheduling Program*, an innovative hearing scheduling program. Auto-scheduling will take on the time-consuming and labor-intensive task of coordinating hearing participants – claimants and their representatives, ALJs, expert witnesses, and other hearing personnel – in order to schedule a hearing. This program is expected to make the hearing scheduling process more efficient and free up time for hearing office employees to focus on other tasks. We anticipate the *Auto-Scheduling Program* will be available in FY 2012.

Minimize the Backlog at the Appeals Council: As we increase our capacity to hear and decide cases at the hearing level, we are mindful of the resulting effect on the Appeals Council workloads. We received 20 percent more requests for Appeals Council review compared to FY 2009 in addition to the 15-percent increase we experienced between FY 2008 and FY 2009. We added 135 additional Appeals Council employees in FY 2010 and plan to hire at least 75 additional employees in FY 2011.

Strategic Goal 2:   Improve the Speed and Quality of Our Disability Process

In FY 2010, we received the most initial disability claims in the agency's history – 3,224,668 – over 200,000 more than FY 2009. Our projections indicate the filing of initial disability applications has not yet peaked, and we expect to receive record numbers of initial disability claims in FY 2011. Despite the growth in this resource-intensive workload, we remain committed to improving the speed and quality of our disability claims process. We discuss the outcomes of our efforts to improve the speed and quality of our disability process and the effect our efforts had on our performance measure results on pages 55-61 in the *Performance Section.* Below we discuss additional efforts we took in FY 2010 to advance the three objectives established for this goal.

Strategic Objective 2.1:   Fast-**Track Cases that Obviously Meet our Disability Standards**

Increase Use of *Electronic Records Express*: *Electronic Records Express* (ERE) provides medical and educational entities the capability to provide health and school records to us electronically. These electronic records, sent to us via a secure website or fax, are automatically associated with a claimant's electronic disability folder. In FY 2010, we received 27 million ERE submissions compared to 11 million in FY 2009. ERE is a win-win situation for all parties: medical and school entities save copying and postage costs; claims can be completed more quickly as mail transit time is eliminated; and we save the time and costs involved with scanning paper documents into electronic disability folders. We discuss these and other advantages and provide in-depth information about ERE at www.socialsecurity.gov/pubs/10046.html.

Support the Military Casualty Initiative: We are committed to providing expedited disability claim services to wounded service members and their families. Our collaborations with the Departments of Defense and Veterans Affairs (VA), along with advocates and military treatment facilities, have strengthened this commitment and have augmented our outreach efforts to inform and assist wounded service members and their families in filing for disability benefits. The American public has benefited from these collaborations in other ways too, such as our outreach to surviving family members of fallen soldiers. In FY 2010, our efforts included:

- *Wounded Warrior Webinar:* We presented a *Wounded Warrior Webinar* in November 2009 to educate service members, their families, military advocates, and civilian organizations about Social Security benefits for wounded military service members. The webinar, with more than 4,000 viewers, can be found at www.socialsecurity.gov/woundedwarriors.

- *Disability Transition Assistance Program* (**DTAP**) *National Agreement:* We formalized an agreement with the Physical Evaluation Board Liaison Officers to include in its DTAP briefings information about Social Security disability benefits. The DTAP briefing is a mandatory program for all Navy, Marine Corps, and Air Force service members leaving the military with a service-connected disability. Dedicating a segment of this program to Social Security disability benefits will increase awareness and explain how disabled service members can pursue these benefits.

- *Video Service Delivery Equipment Pilot:* We negotiated an agreement with the Walter Reed Army Medical Center to install onsite video service delivery equipment that connects hospitalized service members with Social Security claims representatives to file for disability benefits.

- *Collaboration with the Department of Veterans Affairs:* We worked jointly with the VA to increase awareness of their services for military members and their families. For example, we began distributing VA's pamphlet, *A Summary of VA Benefits,* at our field offices throughout the Nation. Also in FY 2010,

we began referring veterans, who are homeless or at-risk for homelessness, to VA's National Call Center for Homeless Veterans. The Call Center informed them of VA's website (www1.va.gov/HOMELESS/NationalCallCenter.asp). Additionally, we provided VA assistance in locating surviving spouses of deceased veterans to ensure they receive benefits or compensation that may be available to them.

- *Collaboration with the Department of the Army:* We provided the Department of the Army next of kin contact information of fallen soldiers to facilitate contact and determine eligibility of benefits.

Strategic Objective 2.2: Make it Easier and Faster to File for Disability Benefits Online

Streamline Disability Report: In January 2010, we released our streamlined disability report replacing our previous report, which was very time consuming and cumbersome to complete. We use the report to obtain basic information needed to decide disability claims, such as applicants' medical sources and employment history. By developing a user-friendly and streamlined version, we reduced completion time and improved the quality of the information we receive.

Implement the Appointed Representative Suite of Services: To meet the demand for service from representatives (such as attorneys, non-attorneys, representative payees, and third parties) who are conducting business with us on behalf of people filing for disability benefits, we implemented the Appointed Representative Suite of Services in FY 2010. This tool allows representatives to register online, manage their profiles, and have access to their clients' electronic folders. We encountered some problems with the online registration process and suspended its usage. We plan to reactivate online registration in FY 2012. In the interim, we implemented a manual registration process, and in FY 2010, we enrolled more than 1,200 representatives. We will continue to assist representatives in registering through regional and local events.

Strategic Objective 2.3: Regularly Update Our Disability Policies and Procedures

Develop an Occupational Information System: We use the Department of Labor's (DOL) *Dictionary of Occupational Titles* (DOT) to determine whether applicants for disability benefits can do their usual work or any other work in the U.S. economy. DOL no longer updates the DOT. We established an Occupational Information Development Advisory Panel to provide independent advice and recommendations to address our need for occupational information. For more information about the Panel, its roles, and the work it has done, see www.socialsecurity.gov/oidap/meeting_information.htm. We will continue to collaborate with the DOL and other Federal agencies during the research and development phase of the project.

Develop a Disability Determination Services (DDS) Common Case Processing System: Each States' DDS and Federal case processing component has its own unique case processing system that requires significant resources for ongoing support, maintenance, and enhancements. As such, national-level changes to the system require us to customize DDS and Federal systems individually. We are working with State DDSs and Federal case processing components to develop requirements for a common Disability Case Processing System. In addition to increasing functionality, such as decision support, the new system will be compatible with industry standards for electronic medical records to better integrate with health information technologies. In FY 2011, we plan to begin beta testing the initial version of the Disability Case Processing System in five DDSs. After sufficient experience with the initial versions, we will phase in a national rollout of the Disability Case Processing System.

Strategic Goal 3:   Improve Our Retiree and Other Core Services

In FY 2010, we hired more front-line employees to help with our growing workloads. We continued to experience the effect of baby boomer retirements and received a record-breaking number of retirement claims. Despite increasing claims workloads, we continued to handle our high-volume Social Security number-related workloads and to timely update and maintain millions of workers' earnings records. We discuss the outcomes of our efforts to improve our retiree and other core services and the effect our efforts had on our performance measure results on pages 62-68 in the *Performance Section.* Below we discuss additional efforts we took in FY 2010 to advance the five objectives established for this goal.

Strategic Objective 3.1:   Dramatically Increase Baby **Boomers' Use of Our Online Retirement Services**

Expand *iClaim*: *iClaim* enables people to file for benefits online. In FY 2010, we launched a new *iClaim* application, the *Online Medicare Application*. Many people who elect to delay retirement benefits beyond age 65 still want to enroll in Medicare at age 65. These people can file a Medicare-only claim in less than 10 minutes, using the new, easy-to-complete *Online Medicare Application*. Since its launch in March 2010, we have received 107,884 online Medicare applications. For more information about our *Online Medicare Application*, see www.socialsecurity.gov/pubs/10530.html.

Launch the *Life Expectancy Calculator:* One important factor people need to consider in deciding when to begin receiving retirement benefits is how long they may live. With this in mind, in FY 2010, we launched an online life expectancy calculator. This simple online tool provides users a rough estimate of their life expectancy. To try our calculator, go to www.socialsecurity.gov/OACT/population/longevity.html.

Expand Marketing Efforts: In FY 2010, we aggressively marketed our online services via our website and social networks (such as Facebook and Twitter), webinars, press releases, and public service announcements. We displayed ads on billboards, buses, and in airport terminals, and promoted our online services at national conferences and local public affairs events. Our marketing efforts in FY 2010 included videos featuring Academy Award, Golden Globe, and Emmy winning actress Patty Duke, as well as rock-and-roll legend Chubby Checker. Patty Duke reunited with the cast of the renowned "Patty Duke Show" to promote our new online *Medicare Application* (www.socialsecurity.gov/medicareonly), and Chubby Checker informed the public about a new "twist" in the law that makes it easier to qualify for *Extra Help* to pay for Medicare prescription drug costs (www.socialsecurity.gov/prescriptionhelp).

Strategic Objective 3.2:   Provide Individuals with Accurate, Clear, Up-**to-Date Information**

It is essential for us to provide people with accurate, clear, and up-to-date information regardless of our delivery method. We issue approximately 390 million notices to the public annually – our most common communication method. These notices advise people of our decisions, payments, and other important information. Our notices must be clear, concise, and easily understood. Furthermore, we must provide notices to our diverse population. Although we did not have any FY 2010 performance measures under this strategic objective, we discuss below how we advanced this objective during the fiscal year.

Improve Notices to the Public: In FY 2010, we reviewed notices for readability, clarity, and appropriate tone. As a result, we made improvements based on our notice standards and clear writing guidelines. We significantly revised hearing decision notices that go to over 660,000 applicants each year. We also improved payment explanations in SSI award notices and developed appropriate language for notices that reference someone's death.

We revised notice language explaining reporting responsibilities so that recipients are aware of their responsibility to notify us of events that may affect their benefits. We also added our Internet address to various notices to encourage the public to use our online services to access information on our programs and available resources.

Provide Additional Notice Formats to the Blind or Visually Impaired: As a result of a court ruling issued in October 2009, we offer blind and visually impaired persons doing business with us the option of receiving notices in Braille or on a compact disc. We mailed out approximately 600,000 notices to known blind or visually impaired persons notifying them of the two new notice formats available to them as of April 2010. We informed them of how they can have their notices sent in the format they prefer. To further assist these individuals, we created a website (www.socialsecurity.gov/notices) they can visit and a special toll-free number they can call to make their selection. For more information on this court ruling and our responsibilities under the ruling, see page 23.

Implement *Audio Publications Project*: The *Audio Publications Project* offers the public the option to listen to our publications directly from our website. This option is especially helpful to people who are blind, visually impaired, or have difficulty reading. We completed the first phase of the project in May 2010 when we posted 90 of our English language publications on our website in audio format. We are further expanding the project by adding 83 Spanish language publications in FY 2011. These publications are available in MP3 format and can be accessed by commonly used media software (e.g., Windows Media Player, Quick Time). See www.socialsecurity.gov/pubs/audio/audio.html for English language publications and www.segurosocial.gov/espanol/audio/audio–es.html for Spanish language publications.

Strategic Objective 3.3: Improve Our Telephone Service

Expand Field Offices Telephone System Replacement Project (TSRP): We continued to implement TSRP, a multi-year replacement of our aged local stand-alone telephone systems, in over 1,400 field offices and hearing offices across the country. The new telephone system includes *Voice over Internet Protocol* (VoIP). VoIP, a single system that carries voice and data over one line, saves administrative costs and supports future technological improvements. VoIP provides a new capability to re-route calls during disasters and other emergencies. At the end of FY 2010, we had TSRP installed in about 60 percent of our field offices.

Replace Our National 800 Number Infrastructure: In FY 2010, we awarded a contract to implement *Citizens Access Routing Enterprise through 2020* (CARE2020), a replacement of our National 800 Number telecommunications infrastructure. CARE2020 will replace two existing contracts with a single VoIP system. The new system will include features that will allow us to keep pace with industry standards. We will implement the CARE2020 project in FY 2011 and expect it to be fully functional in FY 2012.

Strategic Objective 3.4: Improve Service for Individuals Who Visit Our Field Offices

Expanded Video Service Delivery: Video service delivery is an innovative and cost-effective way for us to provide our services to the public using video conferencing equipment. Video service allows our field offices to link together to provide assistance to busy or understaffed offices. It also enables us to provide service to people located at third-party sites, such as American Indian Tribal centers, local community centers, senior centers, hospitals, and homeless shelters, as well as improve service in busy inner-city offices. Video service is particularly helpful in rural areas. This service helps increase our presence and provides timely attention to the public. We have video service installed in 221 sites, and we expect to add 100 sites in FY 2011.

Provided *Social Security TV* (SSTV): We now have 134 SSTV-equipped offices. SSTV enables us to broadcast relevant messages in reception areas to provide visitors with information about our programs and services, such as what documents they need to apply for benefits or to request a Social Security card. We can customize broadcasts to air locally relevant information. We broadcast in several languages, which enables us to serve a broad customer base. We installed 113 SSTVs in FY 2010, and we plan to install an additional 600 in field offices in FY 2011.

Conducted Service Delivery Assessments: We periodically conduct service delivery assessments to determine when and where to open new field offices and Social Security Card Centers. In FY 2010, we opened two new field offices, one in Rio Rancho, New Mexico and one in San Antonio, Texas.

Strategic Objective 3.5: Process Our Social Security Number Workload More Effectively and Efficiently

Support *E-Verify*: *E-Verify* is a program administered by the Department of Homeland Security that allows registered employers to electronically verify the employment eligibility of newly hired employees. Beginning in FY 2010, the use of *E-Verify* became mandatory for contractors who are awarded Federal contracts. We support the *E–Verify* program by providing Social Security number verification and citizenship information to those employers who are registered to use *E-Verify*. In FY 2010, more than 226,700 employers were registered for *E-Verify,* and we handled almost 17 million queries from them. In FY 2011, we estimate 70,000 additional employers will register for *E-Verify*. For more information about *E-Verify*, see www.dhs.gov/E–Verify.

Expand Enumeration at Entry: This program allows non-citizens to apply for a Social Security number with the Department of State or the Department of Homeland Security prior to or upon their arrival in the United States. In FY 2010, we improved the process by implementing additional systems checks to prevent the issuance of multiple Social Security numbers to the same individual and to increase our management information capabilities. We are proactively working with the Department of State and the Department of Homeland Security to expand the program to additional classifications of non-citizens, including those persons applying for admission to the United States who are under certain non-immigrant visa classifications. We plan to begin development for this multi-year expansion effort in FY 2011.

Strategic Goal 4: Preserve the **Public's Trust in Our Programs**

The public relies on us to accurately record their earnings and to determine their entitlement to and amount of benefits. They also count on us to safeguard all personally identifiable information. To be more open and transparent, we have posted data on our Open Government website (www.socialsecurity.gov/open) and have provided information concerning our efforts to reduce improper payments (www.socialsecurity.gov/improperpayments/). We value the trust the public has in our handling and maintenance of their benefits, earnings, and demographic information. We discuss the outcomes of our efforts to preserve the public's trust in our programs and the effect our efforts had on our performance measure results on pages 69-77 in the *Performance Section*. Below we discuss additional efforts we took in FY 2010 to advance the six objectives established for this goal.

Strategic Objective 4.1: Curb Improper Payments

Expand the *Access to Financial Institutions* (AFI) Project: SSI is a needs-based program, and income and resources affect an applicant's eligibility and payment amount. Our studies indicate that up to four percent of SSI applicants have undisclosed bank accounts that would result in a denial of payments. AFI enables us to electronically verify bank account balances and to identify undisclosed bank accounts that may preclude eligibility for, or change the amount of, SSI payments. We initially implemented AFI in three States – California, New York, and New Jersey – which represents about 28 percent of our SSI population. In FY 2010, we implemented AFI in 14 additional States, expanding coverage to 65 percent. In FY 2011, we plan to implement AFI nationwide and further improve its efficiency by integrating it with our automated SSI claims system.

Increase *SSI Telephone Wage Reporting System*: Wages earned by SSI recipients could affect their payment amounts. Typically, SSI recipients mail, fax, or hand-deliver wage reports to one of our field offices. Since we do not always receive reports timely, wages are a major cause of improper SSI payments. Using our *SSI Telephone Wage Reporting System*, recipients can call a dedicated agency telephone number toll-free to report their wages via a voice recognition system. The information automatically updates our wage reporting system, thereby requiring minimal intervention by our employees. In FY 2010, we received 331,552 calls to our *SSI Telephone Wage Reporting System*, a 390-percent increase over FY 2009. We actively encourage working SSI recipients to report their wages via this system. For more information, see www.socialsecurity.gov/ssi/spotlights/spot–telephone–wage.htm.

Continue Our Centenarian Project: We schedule face-to-face interviews with beneficiaries age 103 and older to ensure their continued eligibility for benefits and to make sure they are paid correctly. In FY 2010, we completed over 4,600 cases and detected over $3 million in overpayments. We also annually survey Social Security recipients age 97 and older who live in Canada to ensure deaths do not go unreported. Survey results from our *2009 Canadian Mail and Telephone Integrity Program* revealed 6 unreported deaths out of the 214 people among this group who were continuing to receive Social Security benefits. For the 2010 report, we will interview 237 beneficiaries.

Strategic Goal 4.2: Ensure Privacy and Security of Personal Information

Although we do not have any FY 2010 performance measures under this objective, we are committed to maintaining the confidentiality and integrity of the personally identifiable information we retain. In FY 2010, we conducted security testing or reviews on all of our major information technology systems. We provided agency-wide and component-specific security awareness training to our employees and contractors, including our first annual *Security Awareness Day* for headquarters staff in October 2009. We are developing role-based security training standards for all employees and contractors. In addition, we are implementing new Federal standards for continuously monitoring the performance of our security controls as required by the *Federal Information Security Management Act*.

Strategic Objective 4.3: Maintain Accurate Earnings Records

Conduct Employer Outreach: We continue to collaborate with the Internal Revenue Service (IRS) to improve all aspects of wage reporting. We participate in IRS's Nationwide Tax Forums by providing sessions on annual and electronic wage reporting. In FY 2010, we held sessions at six forums nationwide. We also conducted employer outreach efforts by attending conferences and providing exhibits to keep the payroll reporting community apprised of the latest information regarding annual wage reporting. These include conferences held with the American Payroll Association Congress, the National Society of Accountants, and the Association of Small Business Development Centers. We also provide employers with up-to-date information, tools, and resources on our *Employer W-2 Filing Instructions & Information* website, www.socialsecurity.gov/employer.

Implement Earnings: *The Next Generation Initiative*: We are transforming our earnings process from paper to electronic. Some benefits of this redesign include timelier wage postings, an increase in accuracy of posted earnings, and better Social Security number verification. In FY 2010, we began planning and analysis for improvements to the system that processes self-employment earnings. We also began unifying the *Earnings Correction Management Systems,* the multiple systems that process corrections to earnings records.
In FY 2011, we will begin to implement a series of system upgrades for processing Forms W-2 along with planning and analysis for a system redesign.

Strategic Objective 4.4: Simplify and Streamline How We Do Our Work

To meet the challenges of our growing workloads and to provide the best service possible, we must simplify and streamline our policies and procedures and move more of our business processes to an electronic environment. Our processes, policies, and regulatory and statutory requirements are often complicated, as well as difficult to administer and explain. We explain these requirements in our *Program Operations Manual System* for our front-line employees to process their workloads. We conducted a survey of policy experts to identify areas of the *Program Operations Manual System* that needed revision. We will discuss our survey findings in the *FY 2011 Performance and Accountability Report*.

Although we do not have any FY 2010 performance measures under this objective, we continued to work with Congress and stakeholders to identify ways to simplify our programs' statutory and regulatory requirements. In December 2009, we submitted proposals to Congress to simplify and improve certain aspects of the Old-Age, Survivors, and Disability Insurance (OASDI) and SSI programs. One proposal resulted in new legislation, the *No Social Security Benefits for Prisoners Act of 2009*, which prohibits retroactive OASDI benefits and SSI payments to individuals in prison, fugitive felons, or probation/parole violators.

Strategic Objective 4.5: Protect Our Programs from Waste, Fraud, and Abuse

Expand Our Cooperative Disability Investigation (CDI) program: We began our CDI program in FY 1998. The CDI program is a collaborative effort with our Inspector General, the DDSs, and State and local law enforcement to combat fraud in our disability programs. In FY 2010, we opened two new CDI units, in Columbia, South Carolina and Kansas City, Kansas, bringing our total to 22 units. CDI investigations led to the denial or termination of over 2,855 claims and saved approximately $240 million in our disability programs in FY 2010. Since its inception, the CDI efforts have resulted in close to $2.6 billion in savings: $1.6 billion in our disability programs and $967 million in programs such as Medicare and Medicaid. For more information on our CDI program, see www.socialsecurity.gov/oig/organization/investigations.htm#cooperative.

Develop Tools to Fight Against Fraud: We receive numerous documents to help conduct our business, including those to establish a person's age, identity, and citizenship or lawful alien status, and we must continually be watchful for altered or fraudulent documents. Our *Document Verification* website is available to assist our front-line employees in identifying suspect or fraudulent documents. This website serves as a one-stop portal for links to a number of resources employees can access to help investigate the authenticity of documents submitted.

Conduct *Onsite Security Control and Audit Reviews*: We continue to conduct ongoing *Onsite Security Control and Audit Reviews* to ensure our field offices, teleservice centers, processing centers, DDSs, and hearing offices follow established policies and procedures to ensure management controls are in place to deter and detect waste, fraud, and abuse. The reviews identify major problems to prevent material weaknesses. After a review, office managers must submit a corrective-action plan, which details how they will correct each deficiency cited during the review. We follow up with offices to ensure they have addressed each deficiency.

Strategic Objective 4.6: Use **"Green" Solutions to Improve Our Environment**

Developed *Agency Strategic Sustainability Plan*: In 2010, we established *Greenhouse Gas* reduction goals for the agency and we developed an *Agency Strategic Sustainability Plan* to meet *Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance* implemented in October 2009. For more information on this Executive Order, see page 22.

Key Foundational Elements

Our success in achieving our mission and our strategic goals depends on two key elements: our employees and Information Technology (IT). We must continue to make the investments necessary to develop and support our employees and IT because they are essential to everything we do. Below we discuss our FY 2010 efforts in these two crucial areas.

Key Foundational Element: Our employees

We actively promote diversity, health and safety, personal development, and work/life balance to help ensure an efficient, effective, and motivated workforce – our most valuable asset. Our dedicated employees and our partners at the State DDSs allow us to continuously improve our service. In FY 2010, we used our hiring authority to support the diversity of our workforce by recruiting citizens from underrepresented groups, including Hispanics, Asian Americans, veterans, and people with disabilities.

In 2010, for the third year in a row, the Social Security Administration was recognized as one of the top ten "Best Places to Work in the Federal Government" (www.bestplacestowork.org/BPTW/rankings). Our greatest challenge, however, continues to be the loss of institutional knowledge from the projected retirement of many of our employees. Over 47 percent of our FY 2010 workforce, including 63 percent of our supervisors, will be eligible to retire by FY 2019. Our workforce is multigenerational, aged 19 to 92, and multilingual, with the ability to speak over 100 languages. In FY 2010, we continued to refine our innovative human capital management strategies to enhance our ability to attract, retain, develop, motivate, and reward a diverse workforce and foster a culture of continuous improvement. Examples of our efforts include:
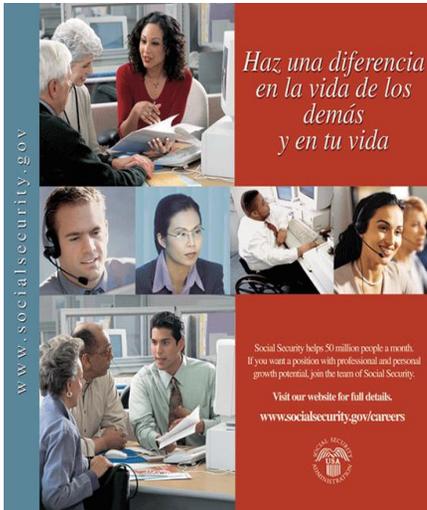
- Implementing the President's directive *Improving the Federal Recruitment and Hiring Process* to provide an easier way for Americans to apply for Federal jobs, increase managers' role and involvement in the recruitment process, and improve the speed and quality of hiring. To implement this new process, we provided training for all field-hiring managers and administrative staff. For more information on this directive, see www.whitehouse.gov/the–press–office/presidential–memorandum–improving–federal–recruitment–and–hiring–process.

- Promoting employment opportunity for veterans and people with disabilities. This effort was further supported by the President's Executive Order implemented on November 9, 2009: *Employment of Veterans in the Federal Government* to promote employment opportunities for veterans (www.whitehouse.gov/the–press–office/executive–order–veterans–employment–initiative). In FY 2010, we developed a plan to implement the veterans employment initiative, and we will continue implementation in FY 2011. We also vigorously marketed career opportunities for individuals with disabilities to external partners including Employment Support Providers (e.g., Independent Living Centers, Employment Networks, Vocational Rehabilitation Centers, State Employment Representatives) and protection and advocacy groups. We continued to participate in a variety of Federal disability programs (e.g., the Departments of Labor and Defense's *Workforce Recruitment Program for College Students with Disabilities, the Wounded Warrior Project, Warriors to Work*). We also maximized our use of hiring flexibilities to ensure entry pathways for students, veterans, and individuals with disabilities.

- Continuing to provide an environment and culture that fosters employee retention, promotes achievement in public service, and encourages the pursuit of personal excellence through continual learning. To this end, we began the University Partnership Program, a collaborative effort with local colleges, universities, and vendors to provide our employees convenient access to college-level academic courses and continuing education or training classes.

Key Foundational Element: Information technology

IT is critical for us to accomplish our day-to-day business. The public increasingly handles more of their business online and expects our electronic services to be secure, easy-to-use, and available 24 hours a day, 7 days a week. We continue to make concerted efforts to improve our service delivery by taking advantage of modern technology and the Internet.

In FY 2010, we exchanged over 2 billion data records with other Federal and State agencies, as well as with business entities. Some exchanges not only help curb improper payments, such as the death data exchange we conduct to receive timely notification of beneficiaries' deaths, but also contribute to better homeland security. For example, our data exchange with the Department of Homeland Security helps verify employment eligibility of newly hired employees and work authorization status for non-citizens.

Our computer databases maintain demographic, earnings, and benefit information on almost every American. We continue to increase our computing infrastructure, storage capacity, and expansion of our network infrastructure. We securely store about 550 million disability documents, including nearly 62 million medical records, while adding roughly 70,000 records each month. Our expanded use of health IT enables us to receive medical evidence and other data electronically to process disability claims.

We recognize that we must protect our IT systems from security threats, and we remain diligent in safeguarding the personal information we retain. We are protecting our data network by expanding our data center operations. In FY 2009, we opened our Second Support Center as a co-processing center and to provide disaster-recovery service for our 30-year-old National Computer Center. Our longer-term plans include building a new, state-of-the art National Support Center. As a result of the funding we received under the *Recovery Act*, we began the initial phases in building this new facility and anticipate our new National Support Center should be completed in 2014. For more information, see page 20.

IT is, and will remain, a key foundational element towards achieving our mission. We will continue to evaluate and modify our IT strategies to adapt to rapidly changing and dynamic technologies to provide accurate, dependable, and secure services that meet the changing needs of the public.

Special Initiative—*Encourage Saving*

Our special initiative – *Encourage Saving* – helps people understand the role of Social Security benefits and the need to save for the future, whether it is for retirement or other life events that could interrupt their income. Some of our outreach efforts include:

- Improving the effectiveness of our *Social Security Statements* mailed to more than 150 million workers each year, which include inserts for workers at different life stages, with topics ranging from *Thinking of Retiring* to *What Younger Workers Should Know About Social Security and Saving*.

- Working with a broad range of Government agencies to provide a central U.S. Government portal, www.money.gov, dedicated to teaching Americans about the basics of financial education based on various life events, including retirement planning options and ways to encourage people to save for the future.

- Establishing the Financial Literacy Research Consortium, a collaborative effort with noted research centers to develop innovative, research-based materials and programs to help Americans plan for a secure retirement.

- Reminding the public and our employees about the importance of saving for the future by promoting *America Saves Week 2010* (www.americasavesweek.org/about/purpose.asp) and informing them of the financial and educational resources available.

The road is long. Be sure you're prepared for the trip.

And your annual *Social Security Statement* can help you prepare. It will give you estimates of the benefits you and your family may be eligible for now and in the future. Use it to help plan your financial future.

Watch the mail for your statement. It should arrive about three months before your birthday.

SOCIAL SECURITY
The Future's In Your Hands.
www.ssa.gov

- Launching the *Life Expectancy Calculator*. A key factor to determine financial security in retirement is how long one can reasonably expect to live, yet many people substantially underestimate their life expectancy. In FY 2010, we launched our *Life Expectancy Calculator* that provides users' average life expectancies at different ages using actuarial assumptions from the annual Social Security Trustees' report (www.socialsecurity.gov/OACT/TR/2010). We believe using this calculator in conjunction with our *Retirement Estimator* (www.socialsecurity.gov/estimator) will provide valuable assistance in users' retirement planning.

HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unqualified opinion on our financial statements from Grant Thornton, LLP. These statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 99 through 152 of this report. The following table presents key amounts from our basic financial statements for FYs 2008 through 2010.

Table of Key Measures[1] (dollars in billions)			
	2010	**2009**	**2008**
Net Position (end of fiscal year)			
Total Assets	$2,635.5	$2,553.6	$2,414.7
Less Total Liabilities	$95.9	$94.8	$87.2
Net Position (assets net of liabilities)	$2,539.6	$2,458.8	$2,327.5
Change in Net Position (end of fiscal year)			
Net Costs	$752.3	$731.6	$658.4
Total Financing Sources[2]	$833.0	$863.0	$842.8
Change in Net Position	$80.8	$131.3	$184.4
Statement of Social Insurance Old-Age, Survivors and Disability Insurance (calendar year basis)			
Net present value (NPV) of future cash flows for all participants over the next 75 years (open group), current year valuation	-$7,947	-$7,677	-$6,555
NPV of future cash flow for all participants over the next 75 years (open group), prior year valuation	-$7,677	-$6,555	-$6,763
Change in NPV	-$270	-$1,123	$208

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

2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position.

Balance Sheet: The Balance Sheet displayed on page 100 presents our assets, liabilities, and net position. Total assets for FY 2010 are $2,635.5 billion, a 3.2 percent increase over the previous year. Of the total assets, $2,619.7 billion primarily relates to earmarked funds for the OASI and DI programs and approximately 98.1 percent are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. Investments increased $82.1 billion over the previous year primarily due to tax revenues of $646.7 billion, and interest on those investments of $118.0 billion, exceeding the cost of operations of $752.3 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 143.7 percent of the growth of the investments, up from 86.2 percent in FY 2009.

Liabilities grew in FY 2010 by $1.1 billion primarily because of the growth in benefits due and payable. The majority of our liabilities (84.2 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. Our net position grew $80.8 billion to $2,539.6 billion, reflecting the higher growth in assets than liabilities.
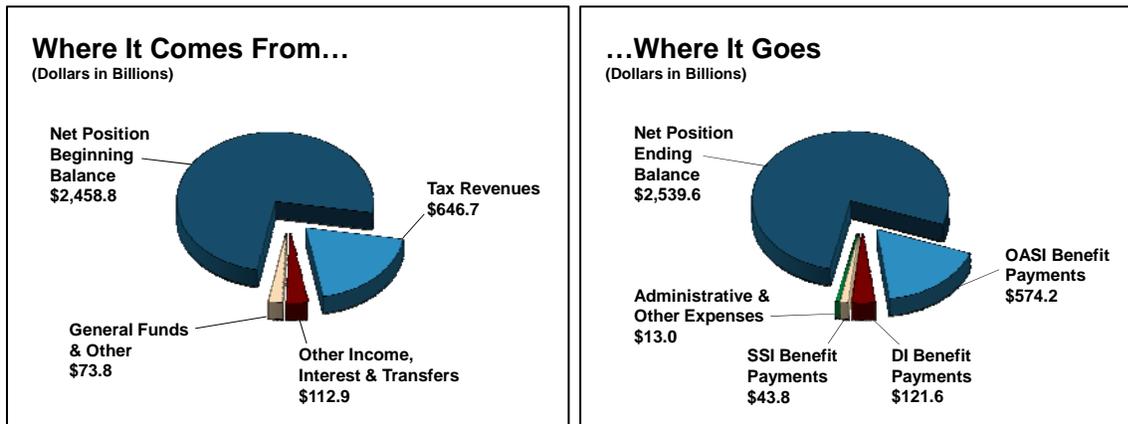
Statement of Net Cost: The Statement of Net Cost displayed on page 101 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of Payments to Social Security Trust Funds appropriations and also contains non-material activities. In FY 2010, our net cost of operations increased $20.7 billion to $752.3 billion, primarily due to the first wave of baby boomers attaining retirement age. Of this increase, $32.8 billion resulted from increased benefit payments and $12.1 billion resulted from decreased operating expenses. The paragraph below notes the major changes that occurred to our three programs and the Other category in FY 2010.

Regarding the OASI program, net cost grew 4.6 percent; benefit payments grew 4.7 percent; operating expenses grew 0.7 percent; the number of OASI beneficiaries grew 2.3 percent to 43.6 million; and average benefit payments grew by 1.1 percent to $1,106.91 per month. For the DI program, net cost grew 4.7 percent; benefits payments grew 4.7 percent; operating expenses increased by 6.0 percent; the number of DI beneficiaries grew by 5.1 percent; and average benefit payments increased 0.5 percent to $921.50 per month. The SSI program's net cost grew 4.6 percent; benefit payments grew 4.1 percent; operating expenses increased by 9.0 percent; and the number of SSI beneficiaries grew by 2.7 percent. Because the Consumer Price Index declined, there was no cost of living increase payable in 2010. Therefore, the maximum SSI benefits for eligible individuals remained unchanged at $674 per month. The operating expenses of the Other category decreased 83.3 percent. This decrease is primarily due to the $13.1 billion one-time economic recovery payments, authorized by the *American Recovery and Reinvestment Act,* that were made in FY 2009 to eligible Title II and Title XVI beneficiaries, and reported as operating expenses. The operating expenses also include administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds and administrative expense for the Medicare Saving Program and the Low Income Subsidy Program.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 102 reflects the changes that occurred within cumulative results of operations and unexpended appropriations. The statement shows an increase of $80.8 billion in the net position of the agency, which is attributable to financing sources in excess of the agency's net cost. At this time, tax revenues and interest earned continue to exceed benefit payments made to OASI and DI beneficiaries, keeping the agency's programs solvent. We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses is 1.7 percent.

In FY 2010, total financing sources decreased by $30.0 billion to $833.0 billion. The $833.0 billion in total financing sources from the Statement of Changes in Net Position will not match the total financing sources in the chart "Where It Comes From…" on the following page. The activity in the chart includes $0.4 billion in exchange revenue, which is reported on the Statement of Net Cost. The primary source for this decrease is the $14.8 billion of *American Recovery and Reinvestment Act* authority received in FY 2009.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2010.

Where It Comes From…
(Dollars in Billions)

- Net Position Beginning Balance $2,458.8
- Tax Revenues $646.7
- General Funds & Other $73.8
- Other Income, Interest & Transfers $112.9

…Where It Goes
(Dollars in Billions)

- Net Position Ending Balance $2,539.6
- OASI Benefit Payments $574.2
- Administrative & Other Expenses $13.0
- SSI Benefit Payments $43.8
- DI Benefit Payments $121.6

Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 103 provides information on the budgetary resources available to SSA for the year and shows the status of those resources at the end of FY 2010. The statement shows that we had $798.6 billion in budgetary resources of which $2.1 billion remained unobligated at year-end. We recorded total net outlays of $754.2 billion by the end of the year. Budgetary resources grew $21.6 billion, or 2.8 percent from FY 2009, while net outlays increased $26.6 billion, or 3.7 percent.

Statement of Social Insurance: Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 104 for the Social Security programs covers a period of 75 years in the future, and the information and disclosures presented are deemed essential to the fair presentation of this statement.

The net present value (NPV) of future cash flows for all participants over the next 75 years (open group) decreased from -$7.7 trillion, determined as of January 1, 2009, to -$7.9 trillion, determined as of January 1, 2010. The NPV as of January 1, 2010 would have decreased by about $0.5 trillion due to advancing the valuation date by one year and including the additional year 2084. However, legislative changes, changes in methods, revisions in assumptions, and updated data increased the NPV by about $0.3 trillion.
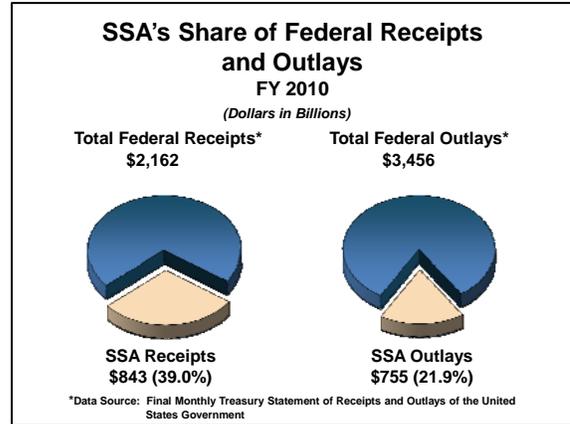
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2010 in terms of the programs we administer or support. Although the DI program comprises only 16.4 percent of the total benefit payments we make, it consumes 23.6 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.9 percent of the total benefit payments we make, it consumes 29.6 percent of annual administrative resources. State Disability Determination Services handle claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability

Use of Administrative Resources by Program
FY 2010

- SSI 29.6%
- DI 23.6%
- Other* 18.9%
- OASI 27.9%

* Includes HI/SMI, Reimbursable Activity and Philippine Veterans

reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2009 use of administrative resources by program was 29.5 percent for the OASI program, 23.7 percent for the DI program, 29.0 percent for the SSI program, and 17.8 percent for Other.
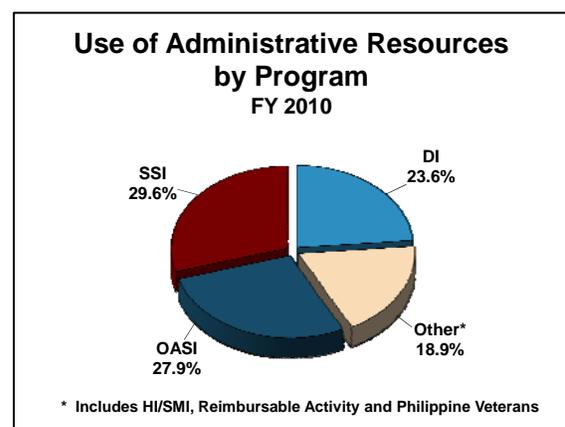
SSA's Share of Federal Operations

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government as shown in the chart to the right. Receipts for our programs represented 39.0 percent of the $2.2 trillion in total Federal receipts, a decrease of 1.8 percent over last year as payroll tax collections declined, offsetting increases in Federal income tax collections. Outlays increased by 1.2 percent to 21.9 percent of Federal outlays.

SSA's Share of Federal Receipts and Outlays
FY 2010
(Dollars in Billions)

Total Federal Receipts* $2,162
Total Federal Outlays* $3,456

SSA Receipts $843 (39.0%)
SSA Outlays $755 (21.9%)

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

OASI and DI Trust Fund Solvency

Pay-as-you-go Financing

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus, the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 40.9 months at the end of FY 2006 to an estimated 42.5 months at the end of FY 2009, followed by estimated decline to 42.2 months at the end of FY 2010.
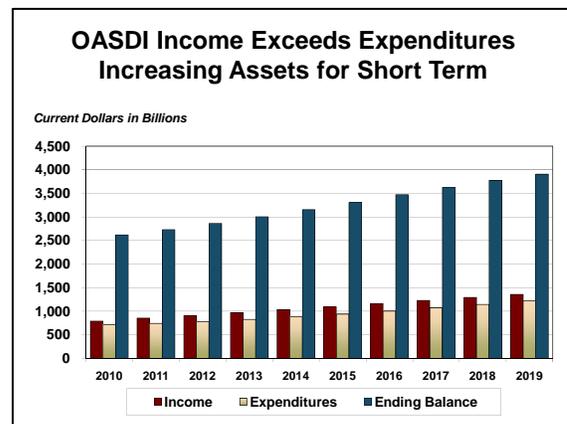
Number of Months of Expenditures Fiscal-Year-End Assets Can Pay[1]					
	2006	**2007**	**2008**	**2009**	**2010**
OASI	44.0	46.3	46.8	47.4	47.8
DI	25.0	23.9	22.0	19.7	16.9
Combined	40.9	42.4	42.4	42.5	42.2

[1] Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2009 and 2010 are estimates that are based on 2010 Trustees Report intermediate assumptions.

Short-Term Financing

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2010 Trustees Report indicate that the OASI and DI Trust Funds, on a combined basis, are adequately financed over the next 10 years. (Financing of the DI Trust Fund is inadequate, and, without remedial action, the fund is expected to be exhausted in 2018.) Under the intermediate assumptions of the 2010 Trustees Report, OASDI estimated expenditures and income for 2019 are 78 percent and 68 percent higher than the corresponding amounts in 2009 ($686 billion and $807 billion, respectively). From the end of 2009 to the end of 2019, assets are expected to grow by 54 percent, from $2.5 trillion to $3.9 trillion.

OASDI Income Exceeds Expenditures Increasing Assets for Short Term

Current Dollars in Billions

Income / Expenditures / Ending Balance (2010–2019)

LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed tax revenues in all years of the 75-year projection period, except for 2012 through 2014. In 2037, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is $5.4 trillion, which is 1.8 percent of taxable payroll and 0.6 percent of Gross Domestic Product (GDP) over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 136 through 152 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

Limitations of the Financial Statements

The principal financial statements beginning on page 99 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

SYSTEMS AND CONTROLS

Management Assurances

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) ASSURANCE STATEMENT
FISCAL YEAR 2010

SSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. SSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, SSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

SSA also conducts reviews of its financial management systems in accordance with OMB Circular No. A-127, *Financial Management Systems*. Based on the results of these reviews, SSA can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2010.

In addition, SSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes internal control related to the preparation of its annual financial statements, as well as safeguarding of assets and compliance with applicable laws and regulations governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, in accordance with the requirements of Appendix A of OMB Circular No. A-123. The results of this evaluation provide reasonable assurance that SSA's internal control over financial reporting was operating effectively as of September 30, 2010.

Michael J. Astrue
Commissioner
November 8, 2010

AGENCY FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT PROGRAM

We have a well-established agency-wide management control and financial management systems program as required by FMFIA. We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;

- Reviewing our management controls and financial management systems controls on a regular basis; and

- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

We have no FMFIA material weaknesses to report. Our managers are responsible for ensuring that effective controls are implemented in their areas of responsibility. We require senior-level executives to submit to the

Commissioner an annual statement providing reasonable assurance that functions and processes under their areas of responsibility functioned as intended and that there were no major weaknesses that would require reporting, or a statement indicating that such assurance could not be provided. This executive accountability assurance provides an additional basis for the Commissioner's annual assurance statement.

Our Executive Internal Control (EIC) committee, consisting of senior managers and chaired by the Deputy Commissioner, ensures our compliance with the requirements of FMFIA and other related legislative and regulatory requirements. If a major control weakness is identified in the agency, the EIC committee determines if the weakness should be considered a material weakness and thus submitted to the agency head for final determination.

We incorporate effective internal controls into our business processes and financial management systems through the life cycle development process. The user requirements include the necessary controls, and management reviews the new or changed processes and systems to certify that the controls are in place. We test the controls prior to full implementation to ensure they are effective.

Management control issues and weaknesses are identified through audits, reviews, studies, and observation of daily operations. We conduct internal reviews of management and systems security controls in our administrative and programmatic processes and financial management systems. The reviews are conducted to evaluate the adequacy and efficiency of our operations and systems to provide an overall assurance that our business processes are functioning as intended. The reviews also ensure that management controls and financial management systems comply with the standards established by FMFIA and OMB Circular Nos. A-123, A-127, and A-130.

Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

Management Control Review Program

In compliance with OMB Circular No. A-123, we have an agency-wide review program for management controls in our administrative and programmatic processes. The reviews encompass our business processes such as enumeration, earnings, claims and post-entitlement events, and debt management. Reviews are conducted at our field offices, processing centers, hearings offices, and at the State Disability Determination Services.

We contract with an independent public accounting firm to review our management control program, evaluate the effectiveness of the program, and make recommendations for improvement. Annually, the contractor reviews operations at our central office and selected regional offices.

These reviews have indicated that our management control review program is effective in meeting management's expectations for compliance with Federal requirements.

Financial Management Systems Review Program

OMB Circular No. A-127 requires agencies to maintain a Financial Management Systems (FMS) inventory and to conduct reviews to ensure FMS requirements are met. In addition to exclusively financial systems, we also include all major programmatic systems in this FMS inventory. On a five-year cycle, an independent contractor performs detailed reviews of FMS.

During FY 2010, the results of these reviews did not disclose any significant weaknesses that would indicate noncompliance with laws, Federal regulations, or Federal standards.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Commissioner has determined that our financial management systems were in substantial compliance with the *Federal Financial Management Improvement Act* for FY 2010. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2010 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractor. Please refer to the Summary of Financial Statement Audit and Management Assurances located in the *Other Reporting Requirements* section for more information.

FINANCIAL STATEMENT AUDIT

The Office of the Inspector General contracted with Grant Thornton, LLP for the audit of our FY 2010 financial statements. The auditor found we present fairly the basic financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America for Federal entities. The auditor also found management fairly stated our internal control over financial reporting was operating effectively, and reported no instances of noncompliance with laws, regulations, or other matters.

However, the auditor did identify certain deficiencies in internal control, that when aggregated, they considered a significant deficiency. The auditors found that 1) we did not consistently comply with policies and procedures to reassess, periodically, the content of security access profiles; 2) some employees and contractors had system access in excess of access required to complete their job responsibilities; and 3) certain mainframe configurations increased the risk of unauthorized access. Grant Thornton, LLP recommends SSA management implement a policy which would require a periodic review of the content of the agency's profiles, and controls to test and monitor configurations on the mainframe. We concur with the recommendations, and we will implement the necessary measures to address the deficiencies.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The *Federal Information Security Management Act* (FISMA) requires Federal agencies to conduct an annual testing and review of their Major Information Technology Security Program. To help ensure the privacy and security of our information, we conducted security testing or reviews on all of our major IT systems. We provided agency-wide and component-specific security awareness training to employees and contractors, including our annual Security Awareness Day for headquarters staff held in October 2010. We are developing role-based security training standards for all employees and contractors. Finally, we are implementing new Federal standards for continuously monitoring the performance of our security controls as required by FISMA. Our FISMA reporting activities include reviewing and updating our systems inventory, configuration management for all operating platforms, as well as tracking and remediating security incidents.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

Over the years, we have worked hard to improve our financial management practices. We will continue to develop new initiatives that will enhance the existing financial and management information systems. Our actions demonstrate discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs. Going forward, our goal is to achieve Governmentwide and internal financial management milestones established for improvement.

Our FMS inventory is reviewed annually and is updated to reflect the most recent status as a result of systems modernization projects. We maintain an inventory of twelve FMS that are categorized under the broad categories of Program Benefits, Debt Management, or Financial/Administrative.

We are continuing the long-term development of our FMS following a defined strategy. In the Program Benefits category, we are streamlining systems and incorporating new legislative requirements. In the Debt Management category, we are continuing to pursue enhanced capabilities to collect and resolve program debt.

In the Financial/Administrative category, we implemented the Social Security Online Accounting and Reporting System (SSOARS), a federally-certified accounting system based on Oracle Federal Financials, as our System of Record on October 1, 2003. Throughout FY 2010, we continued to build on a Service Oriented Architecture approach to integrate several external systems with SSOARS. These integrations have historically been designed and implemented as individual systems using a non-standardized approach and, consequently, maintenance of these systems has become more challenging. Using the latest web services technology, we are standardizing the remaining web services to eliminate duplication of code and to bring web services under a common Gateway Framework. This effort will enable SSA to establish a standard framework for all future integrations, reduce long-term maintenance costs, and improve operational efficiency.

We also upgraded our existing accounting system to Release 12.1.2, which brings the system up to the highest standard for the current release of Oracle Federal Financials. Finally, we continue to outsource some of the day-to-day maintenance of the system to Oracle on Demand, which is considered a first step in meeting OMB's Shared Services requirements.